

Dov Charney's American Dream
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Episode Transcripts

Part 3: Photos

DOV: Look how cool that is, that metro thing. C'mon that is cool. Isn't it?

LISA: Oh yeah! There's a metro stop right on a highway?

DOV: Yeah, this is LA, dude. Get with the program.

LISA: Hello. From Gimlet Media, this is StartUp. I'm Lisa Chow. And once again, I'm sitting in the car with the ex-CEO of American Apparel Dov Charney.

And just a quick warning, there's some swearing in this episode ... and some sexual content.

DOV: This is an interesting mural that I'm going to shoot now since we're in traffic. That's a good one.

LISA: Dov's taking photographs while driving. This happens all the time. Something catches his eye — a mural or an old sign or a storefront — and he has to get the shot. So he rolls down the window, grabs his phone, and stretches out both hands...and totally forgets about the steering wheel.

(Truck honks)

DOV: Oops. Oops! that was a good one though. Fashion Square. They're going to like that one in Paris. Shit, there's a big Mack truck on our ass.

(Truck passing)

LISA: The photos he's taking are of what you might call vintage LA. There's a sign for a hair salon, painted by hand. The words written in Spanish. There's a mural of a bright blue car with tailfins. A fading red and yellow sign reads "Sexy Donuts. Ice Cream. Croissant."

These photos are part of Dov's marketing plan for his new company. He shares them on Facebook and Instagram.

DOV: So yeah, I'm showing people these neighborhoods, these vernacular signs, capturing the, you know, the textures of these communities. I'll probably end up building a massive operation down here. Bring it all together. Probably end up employing thousands of people. You know, probably break my back doing it, but I'm going to get it done.

LISA: For a lot of people, this would be a very bold claim. Looking out on a stretch off the highway and declaring that one day you're going to build a factory there and employ thousands of people.

But for Dov, that claim is not so outrageous. Because he did it once before. He did it at American Apparel — the company that fired him in 2014, and filed for bankruptcy a year later. Just this week, American Apparel declared bankruptcy for a second time.

Today on the show, we're going back ... to the *first* time Dov did it. The first time he started making t-shirts in a little factory off the highway, and eventually grew that into a business that employed 10 thousand people around the world. We'll look at how Dov saw the world and how the world began to see Dov.

The story starts many years ago, when Dov was a kid.

SYLVIA: As a parent I was really, very frightened often.

LISA: This is Sylvia Safdie, Dov's mom.

SYLVIA: You know, because one thing was — and you could see this in Dov always — he's very hard to create boundaries. He just did not like not to be confined.

LISA: I met Sylvia at her home. She's an artist, and lives in a spacious loft in Montreal.

LISA: Wow. Yeah. This is beautiful.

SYLVIA: Thank you. We work there. My studio's on the first floor.

LISA: We sit down at Sylvia's dining room table. She's dressed casually, in loose fitting olive green pants. She tells us they're American Apparel. And she wears the same glasses as Dov, thick 70s frames.

Dov and his mom are close — they talk almost every day. His parents divorced when he was 3. His dad lived close by, and Dov would roam between the two houses.

A lot of entrepreneurs have stories of their childhood businesses. But Dov's childhood businesses, they feel like they're on a totally different scale. When Dov was just 11 years old, he started printing and selling his own newspapers. But even at 11, Dov showed a drive that felt almost scary to his parents ... like they didn't know where it might take him.

SYLVIA: One night I was at a wedding and my — his babysitter calls and she says, "We don't know where Dov is. I called all his friends. He's nowhere." I came running home. I was going crazy. I called the police. I was going crazy. And he suddenly arrives around 2:30 at night in a taxi full of papers. And I said, "Where have you been?" And he said, "I've been at the printer." I said, "Why didn't you call?" He said, "I was too busy." I

said, “Why are you doing it at night?” He said, “It’s cheaper, mom. It’s cheaper. I don’t have that much money, I have to do it at night.” So everything was a test, you know? And do you punish him? Of course you try, but then he would, you know, really, he would take, he would take me to court, like, his rights, why he should, why he shouldn’t, badada, you know. It was a constant challenge.

LISA: By the time Dov was a teenager, his entrepreneurial activities were focused mostly on t-shirts. In high school, he would buy t-shirts across the border in the States, and upsell them back in Canada. At 16, he was peddling bootleg t-shirts at a Madonna concert. By the time Dov got to college, he was a seasoned t-shirt salesman.

Dov’s college roommate was a guy named Eric Ribner.

They were pretty different. Eric rowed crew, while Dov rode a moped. Eric went to bed early, while Dov was a night owl.

But the two became good friends, and freshman year, they ran a business together.

ERIC: We started a t-shirt company. We made t-shirts that said Tufts University in all different color combinations. So, I put up the money, he knew the manufacturer in Boston. He and I would sit at the campus center and sell t-shirts.

LISA: Within a few weeks, they made 4,000 dollars.

But Dov didn’t want to just buy other people’s shirts and resell them — he wanted to make his own. So when Eric and many people in Dov’s class went to study abroad their junior year, Dov went to rural South Carolina, to learn about the textile industry.

Dov returned to school for his senior year. But one day, he was sitting in the campus center, and he decided he was just ready to go. He hopped in his car and called his mom from the road.

SYLVIA: And he says, “Mom, I’m on my way. I’m on my way to South Carolina.” And I said, “Dov, it’s the end of the term, you’ve got to finish school.” And he said, “Don’t worry about it, mom. I’ll finish, I’ll finish. But I’ve got to get their fast, I’ve got to manufacture.” And he went there. And, you know, what could I do?

LISA: Dov ended up spending the rest of his 20s in the Carolinas, building a company called Acme Shirt Company. He learned the trade from older Southern guys who had been in the textile industry for generations.

DOV: There was Stickley Yarns — Jack Stickley — sold me yarn for a buck twenty. And there was Joel Harrison who had a barn in a town called Ninety-Six, South Carolina. And in that barn, there was 20-30 sewing machines, and that’s where I sewed my first t-shirts. That was very similar to this one, almost identical.

LISA: Dov pulls at the t-shirt he's wearing ... a thicker more structured fit than today's typical American Apparel t-shirt. It's part of the new line he's developing for his new company.

LISA: Can you tell me how you become such a nerd about t-shirts?

DOV: I was a little bit smaller than the other children. And I found that in the States, I was able to find my size. But my size was not available in Canada. And so, um, I started to really study t-shirts and it's the American iconic t-shirt, Hanes t-shirt. But I liked how it fit me. It was at the time I think I was pursuing more of a James Dean kind of... but I was like... small.

LISA: Back in South Carolina, Dov studied how to knit his first rolls of combed cotton rib fabric. To gin up business for his young company, he'd go to tradeshow. Dov didn't have money for a fancy booth so instead he'd walk the show and pass out samples from his gym bag.

At one of the shows, Dov met a guy named Rick Klotz. They were at a party, and Rick was standing on the second floor balcony, looking down on the dance floor.

RICK: I saw this guy, just jerking all around, and dancing like a, like wild. Like a complete nerd. Like, he he didn't know how to dance, but he was doing it and he didn't care what anybody thought of him. And I tapped my friend's salesman on the, on the shoulder, and I said, "Hey, isn't that that guy that was trying to sell his T-shirts earlier today?" He said, "Yeah yeah." And uh he caught my eye. And he looked up at me and he you know, pointed at me like this, like maybe like Jerry Lewis would in uh in one of his movies. Like, "Hey!" And I kind of kind of fell in love with him at that very moment, to tell you the truth and because, you know, he was a little different.

LISA: Rick and Dov became friends. Rick lived in Los Angeles where he ran a successful clothing business selling streetwear. Dov was still in South Carolina where his business was struggling.

It was the late 90s, a bad time to start a t-shirt business in America. Top brands like Fruit of the Loom and Hanes were moving their manufacturing overseas. Dov couldn't compete with these established companies. And in 1996, his company declared bankruptcy.

After the bankruptcy, Dov moved to LA and started working on his next project... It was a women's t-shirt that he'd been tinkering with.

Dov crashed with his friend Rick. He didn't have money to hire fit models, but he knew where he could find women to try on his new t-shirt. A place just down the street from Rick's apartment.

RICK: Well he had the balls to bring pieces into a strip club, and ask girls to try them on, and do the fittings for him. Can you imagine? Like, "Hey! I got a box of t-shirts, can you try them on?" you know? "How about these halter tops?" He didn't care, like

you know, I was a little embarrassed going into a strip club and asked somebody to try on stuff. But no, he's not.

LISA: And it was just trying to find the right fit. Almost like it was in product development stage. It was testing?

RICK: Yes you know and it's Dov. He works quick. He wants answers quick. He wants to go over it. He's very neurotic about it — as he should be. And I guess a club full of girls is an easy place to do fittings you know, quickly.

LISA: Right around this time, Dov launched a new t-shirt company. And he called it American Apparel. One of its main products would be this new women's t-shirt. More fitted. Softer. And made right here in America. In a factory off the freeway in LA.

But American Apparel in the beginning was purely wholesale. A commodity business, where customers mainly cared about price. He had to keep his costs down however he could, and when his suppliers stood in the way of that, things did not go well. He talked to my producer Kaitlin Roberts about it.

DOV: I would just blow a tantrum. I remember walking into this guy's office and was like, "WHO'S THE SUPERVISOR?" you know, "WHO'S THE BOSS HERE?" you know, and it'd be like this Korean man that doesn't speak English. I was just screaming and yelling so much that I guess I bullied them.

KAITLIN: Really?

DOV: Yeah, and then they said they couldn't do the finishing the way I wanted it, that it's not possible. I said, "What are you talking about? I finished this fabric, okay, every day, alright, in South Carolina and I get 5% shrinkage. Don't give me that we have to have 10% shrinkage. You don't know how to use your machines, okay," and they, you know, I would just flip these tantrums like a crazy kid and I started to get my way.

KAITLIN: They responded well to the bullying.

DOV: Yes! Yes. Emotion. It works, okay. It's not bullying, it's passion. They love it.

LISA: Within a few years, Dov was working out of a factory in Los Angeles and employing dozens of people. He was bringing in millions of dollars in sales.

DOV: And it went from 10 million to 20 million to 40 million to 80 million to 100 million, and nothing could stop me.

LISA: Dov was making 100 million dollars but he was making it running a wholesale business. He was selling blank t-shirts to churches, schools, bands. Outside of a few apparel industry insiders, most people had never heard of Dov Charney.

That was all about to change.

That's coming up, after the break.

-BREAK-

LISA: Welcome back to StartUp.

By the early 2000s, five years into running American Apparel, Dov decided to make a big change in the company. He wanted to make the leap from wholesale to retail — from selling t-shirts in bulk to businesses, to selling directly to consumers. So he called his old college roommate, Eric Ribner — Eric was now working in New York, on Wall Street.

ERIC: I'll never forget when he called me up and told me to go down to Broadway and Astor place and he's like, "I'm opening up a retail store. On Astor Place." And I said, "What, you don't know how to do retail. What are you opening up a retail store for?" And this was after American Apparel was going and his wholesale business was building. And he's like, "I'm going into the retail business." I'm like... and I said, "It's not your core competency. You gotta stick to your core competency." It's a business school term I remembered. And he had never heard that term until I used it, and he's like, "Well, I'm opening up a retail store."

LISA: But Eric was right. Dov didn't know anything about starting a retail business. Then, one day, Dov was introduced to a woman named Tacee Webb. Tacee had built a successful career in fashion. She had 10 years of experience in retail. She'd been on the front page of the Wall Street Journal. And when Dov and Tacee first met, she was not impressed.

TACEE: I mean, I was very fashionable. I'm gonna sound judgmental but Dov had, you know, bad taste. I mean it's kind of as simple as that. Dov was a guy who knew everything about manufacturing. He was excited about the fashion industry, but at the point when I became involved, honestly he didn't know kind of the proper terminology for any items.

LISA: But Dov made his pitch to her, come work at American Apparel, help me build a retail empire. Dov told her about his factory in LA ... which employed immigrant workers ... at good wages, in good working conditions. Tacee was in.

TACEE: I wanted to be a part of what Dov was doing. It felt like we were involved in a very noble mission. Especially at that point with the atrocities that were happening in sweat shops. You know, the young women with crippled hands in their early 20s. People being put out to pasture. People in factories in China, living there and never seeing their

children. You know, this is stuff that the media was for so long turning a blind eye to but we all knew it was there. Even very expensive garments. There were no alternatives.

LISA: Dov's idea was to take the mission and make it part of the brand ... he emphasized the fact that consumers could feel good about the conditions their clothes were made in. And he focused on basics — t-shirts, hoodies, leggings — using simple designs. No logos. In all different colors.

The brand caught on. Stores were popping up in young, urban areas — Echo Park in LA, Williamsburg in Brooklyn — and Tacee was part of that — she scouted new locations, negotiated leases and organized contractors.

TACEE: Everyone wanted us. People were courting us from all over the country. People wanted to invest. People wanted us to open in their mall. People were willing to finance every location. Like, you walked in and said you were with American Apparel and they were just rolling out the red carpet. You want 3 months free rent? We'll give you 6 months free rent. Everybody wanted to be part of what was, you know, feeling like more than a brand, it was really feeling like a movement.

LISA: Sales soared. By 2005, Dov had opened more than 100 stores in countries around the world.

DOV: I remember opening stores in New York like a drunken sailor and it worked. You know those guys that roll you around on the bicycle, and you know what I mean, in New York City, in the winter, you know, the bike where you zip it up.

LISA: *Pedicabs?*

DOV: Yeah, I used to hire one of those guys and go up and down the streets looking for stores. I'd look around, I'd check I'd check I'd check I'd check... That one! It worked, 'cause I could stop the pedicab, like, stiffer than a, you know, than a taxi. And I'd rent stores, and my stores in New York were very profitable. Made a lot of money in New York City. A lot of bread.

LISA: As the company grew, Dov became as detail-oriented about his stores as he'd been about his t-shirts. He'd leave LA for weeks to visit stores around the country and evaluate how they were performing.

Dov would look at their sales and inventory. But he'd also examine the stores' look. He'd debate whether the store had the right mannequins in the window, or how a neon sign was hanging on the wall.

And if a store was messy, Dov would get angry, and then he'd get down on his hands and knees and clean the store himself.

All the details had to be on brand, including the way his employees dressed.

Dov cultivated a very specific American Apparel look. And everyone — models, retail employees and people at the corporate headquarters — were expected to meet these standards.

I talked to several former employees who described how Dov wanted them to dress and groom themselves.

WOMAN: He, like, really wanted people to look a certain way like your eyebrows needed to... you couldn't over pluck them, you couldn't draw them in. It had to look like Brooke Shields' eyebrows. Like he literally sent out a photo of her eyebrows saying, "This is how they should look."

TACEE: He would tell people pretty openly to leave their hair natural. He would tell people pretty openly not to, uh, get rid of their body hair. He definitely does not like tattoos.

WOMAN: He wanted like everyone to look like they were from, like, the 70s or 80s. And, you know, everyone had to be dressed impeccably.

AMY: Did you buy that shirt at Target? We can tell. Like, Target is a big no-no. Fast fashion is a big no-no in the community.

SPRING: He would say, "I don't really like this person's style. Like, I don't think that he's wearing the clothes appropriately." Like that, you know? And so, even from the very beginning, he was already thinking, um, about branding and standards.

TACEE: There were definitely women who were hired based on looks.

LISA: This is Tacee again. She'd been in the fashion industry long enough to know that looks did matter. But it was difficult for her to see people getting hired at American Apparel who really didn't have any skills.

TACEE: I think the hard part for me, as someone who really defines herself as a feminist, was to watch a woman based on her appearance and also potentially her sense of fashion advance over another person that had better experience. It was just like, are we sure that this person is actually qualified to get this work done, or, do they just look really hot in those jeans?

LISA: Tacee wasn't the only one who said this. We've talked to people who went from stocking shelves in their late teens and early 20s to — almost overnight — working at corporate headquarters managing a big budget or weighing in on important projects

Dov says hiring people without experience was part of his plan.

DOV: I was finding people in the street. I could take someone that's had no experience in something, but they have the natural ability to merchandise a store. It could be a woman could be a man, but I'll just give you you know stereotypical story of a young woman. They say, "Can you organize that wall just use your instincts organize that wall of socks and hosiery. I'll be back in an hour." And you're paying her nine dollars an hour. And you come back, and that wall looks amazing. And the next day you clock the sales on that wall and it's up 50%. Then you take a 47 year old, you pay him 500 grand a year. And they just can't seem to score like she scored.

LISA: Did that happen?

DOV: Of course it happened. How do you think I built the company?

LISA: A lot of these young retail employees also modeled for the company. They were featured in billboards, store windows and print ads.

American Apparel's advertising campaign may be one of the most infamous in retail history. The ads were simple. There'd be a model, usually in front of a plain white background, with some text. The women in the ads looked like people you might see walking down the street in a hip neighborhood in LA or New York. They wore very little makeup. They were different shapes and ethnicities. They weren't airbrushed to perfection. They looked real.

In most of the ads, they were in sexually provocative positions, scantily clad. There'd be a woman going topless to advertise a pair of socks. Or wearing an American Apparel bodysuit with her legs spread. The line read: now open.

Some people praised the ads and saw them as symbols of sexual freedom. Other people thought the ads went too far... people like Sylvia, Dov's mom

SYLVIA: I come from a feminist moment in history. And, as women, we really were fighting the notion of being objectified. And when I would see some of the ads, I felt that that that's what it was doing. But when I spoke to some of the women in American Apparel, they would say that they felt empowered. And they would talk about how some of the ads were parodies. And they felt that they were taking this on. The idea that they felt empowered, I didn't agree with. But I understood it. And I could understand what my mother felt like when we took off our bras, wore miniskirts and, you know, uh, the 60s. I was very much part of that.

LISA: Like, what, I mean, when you would see an ad that you thought maybe went too far, what would you do, would you just call—

SYLVIA: I'd call Dov and say, "Dov you're going too far." And he'd say, "Wait til the next week, wait til next week, we'll have another one." I mean, I talked a lot to Dov about

it. I talked to the staff about it. I felt that particularly since so many young girls were going to the stores, but certainly nothing I was gonna say was gonna change anything. You know, there's a certain point you gotta let go. Your children are out in the world, they're going to do what they're going to do. Sometimes I was embarrassed by them, but other times I thought they were brilliant. So you know it wasn't like I was critical of all of them. I just... I just thought that it was not necessary, but it was getting attention.

LISA: By 2005, Dov also started getting attention for something else. Three former employees accused Dov of sexual harassment. One suit also named the company. The lawsuits claimed that Dov had created a sexually hostile work environment by doing things like instructing an employee to hire a quote "hot" woman, exposing himself to an employee, and talking about women in crude and sexual terms. Dov denied the allegations. At the time, he called the suits a false attempt to extort money from his company and exploit his transparent persona. The cases were settled out of court.

Around this time, a reporter named Claudine Ko wrote a story about Dov and American Apparel for Jane Magazine. In the article, she recounts how over several days of reporting, Dov repeatedly masturbated in front of her. Dov didn't deny it. He later told the New York Times that any sexual activities described in the Jane article were consensual. We reached out to Claudine. She didn't want to talk about the article on tape. But she says that word, "consensual," is misleading. She stayed in the room to do her job as a reporter.

The article led to a lot of negative publicity. But some people in the apparel industry say that piece put Dov on the map. Controversy became part of the brand, and Dov leaned into that controversy. The advertisements became even more provocative. Many photos were taken in apartments and bedrooms and suggested the photographer was capturing a private moment.

For many of these photoshoots, the photographer was Dov.

TEENA: He saw the world from a very sexual, powerful place for a while, at least that's what I saw in his pictures. Like his pictures were, they spoke volumes and it was just like, the fact that the girl's ... I don't know, the girl's mouth was open a certain way, I don't know how to explain it.

LISA: This is Teena Pugliese. She worked in the video department at American Apparel when Dov ran the company.

TEENA: The photography was what made him so powerful in a way, because it was so controversial. And it, I mean — eh, I don't know what I should say. Uh... the girls look like they were having sex, you know like, in the pictures. That's what it was and I think that's what he wanted to capture.

LISA: Can I ask you a question, though? Okay, so Teena you just said um, like one of the things about the billboards is that, like these women look like they had just had sex.

TEENA: Yeah, or were having sex, yes. Yes.

LISA: So, they looked like they were just having sex. Were they just having sex?

TEENA: I don't know, I don't know. But I think that perhaps that's what made them so interesting. Girls in their underwear, it's been done before, like, it's not that new, but there is like a visceral realness in those pictures. And, and for me there, there's emotion attached to those pictures, there's something more going on than a pretty girl in front of a camera.

LISA: So, what was going on in those photos? What was it like to be that pretty girl in front of the camera? And what was Dov's role in all of this? That's coming up on the next episode of StartUp.

-BREAK-

LISA: StartUp is hosted by me, Lisa Chow. Our show is produced by Bruce Wallace, Luke Malone, Molly Messick, and Simone Polanen. Our senior producer is Kaitlin Roberts.

We are edited by Alex Blumberg and Alexandra Johnes. We also want to give thanks to our editor over the last year, Peter Clowney. He's leaving Gimlet this week and we wish him the very best.

Fact checking by Michelle Harris. Special thanks to Rachel Strom, Christine Driscoll, Sruthi Pinnamaneni and Marianne McCune.

Mark Phillips wrote and performed our theme song. The new version of the theme song by the peerless Bobby Lord. Build Buildings wrote and performed our special ad music.

Original music by the band, Hot Moms Dot Gov, which includes The Reverend John DeLore, Jordan Scannella, Sam Merrick, Isamu McGregor, and Curtis Brewer. Music direction by Matthew Boll.

Additional music by Tyler Strickland and Tom Bromley.

Martin Peralta and Andrew Dunn mixed the episode.

To subscribe to the podcast, go to iTunes, or check out the Gimlet Media website: GimletMedia.com. You can follow us on Twitter, @podcaststartup.

Thanks for listening. We're off next week; we'll be back in two weeks.

Part 4: Boundaries

LISA: From Gimlet Media, this is Startup. I'm Lisa Chow.

And if you've been listening to the show, you know we've been following the highly controversial founder and ex-CEO of American Apparel—Dov Charney. I've been reporting on Dov for months, and I got to know his idiosyncrasies pretty quickly. Like how he shares his mansion with a bunch of kids in their 20s, but basically never socializes. And how he works constantly but won't keep a calendar, and gets by on endless cups of Nescafe.

Dov is unconventional in lots of little ways. And then there are bigger ways. Like this story he told one of our producers, Kaitlin Roberts, a few months back:

DOV: Okay, one time, I had an employee, like, punch me in the nose to a bleed. Seriously. He's just like, BOOM! And I was bleeding all over my face, you know. And I said, I'm not gonna fire a guy for punching me in the face. No way. I'm born in 1969, you know? A guy takes a swing at me. This politically correct crap, you know what I mean? I'm a man. He had a reason. No, he ain't going anywhere.

KAITLIN: What did you do after that guy punched you in the face?

DOV: Said we're going back to work on Monday. That's it. We're gonna figure it out we move forward that's the man that I was taught to be. Or you could be a woman, same thing. A little different, whatever. And if that happened today, if someone decided to take a swing at me, you know I mean it's okay. I can handle it. That's what it is to be a boss sometimes is to take those punches, and you to feel that. I'm not condoning violence or anything, you know? I mean it wasn't so fun to get punched in the face. But that... but yeah, you punch the boss in the face so you automatically get fired? No.

KAITLIN: Yeah, I don't quite understand that. Like, where's the line?

DOV: Well, I mean... if it was maybe, if he'd cut my arm off or something like. [Laughs] I don't care about that stuff.

LISA: I can't imagine any other CEO saying, I'm not going to fire that guy who just punched me in the face. But Dov values passion. And in Dov's world, if an employee is passionate about his or her work, so passionate that they'll punch the boss in the face, maybe they shouldn't be fired.

That's Dov logic. And even though stories like this sound pretty crazy, people believed in Dov's vision. They told me they were drawn in by his charisma, his energy. Dov managed to bend the

rules of the world around him, and he got others to buy into ideas that in any other workplace would seem unimaginable.

One of the most striking ways Dov defied normal workplace rules was in his relationships with women. And Dov's relationships with women were full of contradictions. He surrounded himself with women, promoting them to the highest levels of power at American Apparel, while also sleeping with many of them.

Dov's relationships with women altered the way the public viewed him and American Apparel. And many people say they created lasting challenges that could also affect his *new* venture.

Today on the show, we talk to people who were in those relationships, and others both inside and outside the company who were affected by them.

And just a quick warning, there's some swearing in this episode and some sexual content.

LUKE: Is this an apartment block?

LISA: I don't know.

LISA: A couple months ago, producer Luke Malone and I flew to St. Louis to meet a woman named Trudy Fogarty-Hayden.

TRUDY: Hey! How's it going?

LISA: Hi, I'm Lisa.

TRUDY: I'm Trudy. Nice to meet you.

LUKE: Hey, I'm Luke.

TRUDY: Nice to meet you, Luke.

LISA: Trudy lives with her husband and three young kids in a stately brick apartment building on a tree-lined street.

LISA: Wow this is a beautiful building

TRUDY: Thank you.

LISA: It looks historic, is it?

TRUDY: Yeah, it's over 100 years old, so...

LISA: We walk upstairs to her apartment.

TRUDY: Come on in.

LISA: Trudy's a photo stylist and her home feels old fashioned. There are floral prints, mirrors with ornate frames painted gold. It's very clean.

TRUDY: I was thinking we could sit at the table.

LISA: Trudy's life is a lot different than what it was eight years ago, when she was living in California.

TRUDY: You know, I had a young son at that time and had recently split up with my son's dad and I was just, like, so determined to stand by my decision to have my son and be able to support him and be the best mom.

LISA: Trudy was 18-years-old, supporting her 1-year-old son. She had a job as a sales clerk at the American Apparel closeout store where slightly damaged clothes would sell for cheap. That's where she met Dov.

TRUDY: He came in one of those nights and was super excited had just landed from Montreal, and he had a ton of energy and kind of like childlike and was kind of like goofy. And definitely not what I pictured as a CEO of a company.

LISA: Dov wanted to make some changes to the store. So Trudy and Dov started working together. Dov gave her more responsibility, and pretty soon, she was managing several stores in the Pacific Northwest.

TRUDY: I think he really believed in me and put in the time and the energy to teach me a lot about business, about retail, about manufacturing. I feel like me along with a lot of other young people—especially young women—like he totally empowered us and supported us in a way that I just don't think happens very often.

LISA: How would you describe your relationship with Dov, at the time that you were at American Apparel?

TRUDY: First off, as my boss and as like a mentor. Secondly as a really good friend. And then for a period of time I did have like a more intimate relationship with him.

LISA: When Trudy and Dov got involved, Trudy was a 19 year-old sales clerk. Dov was a 40-year-old CEO. And the relationship developed the way a lot of relationships do. Dov called and texted her more often. They flirted. They were also spending a lot of time together on the road, traveling from store to store. And then one day, they slept together.

TRUDY: What did I think after the fact? I was kind of wondering, like, uh, is this going to continue? Is this just kind of like a one time thing? Or, you know. There are a lot of

rumors that circulated about Dov being with a lot of girls or whatever so I thought aww like shoot was I just another one of those girls or whatever, but like you know he called me the next day, and called me the next day and um realized that he wasn't interested in just a one time experience.

LISA: Was there ever a moment where you're like, you know maybe I shouldn't be in a relationship with Dov—like a sexual relationship with Dov—because you know Dov's my boss... did you feel conflicted?

TRUDY: Yeah, I definitely was, you know... at first I was like this is just bizarre and I didn't really picture myself doing that and, uh... I'm not ashamed of that but I'm super cautious about it because, you know I worked really hard for what I had at American Apparel. And it's really easy for someone to be able to dismiss that a Dov Girl or whatever.

LISA: A Dov Girl. It's a phrase I've heard many times from former American Apparel employees. And people defined it differently. Some used it to describe a female employee in a sexual relationship with Dov. Others said a "Dov girl" was a muse, a person who inspired Dov's creativity but wasn't necessarily sleeping with him. People told me that a Dov Girl got a lot of benefits. Dov would shower them with gifts or give them big projects. But I also heard that Dov would criticize these "Dov Girls" just as much as he would some guy in the accounting department.

Either way, many former employees told me it was well-known that when Dov ran American Apparel, he was in sexual relationships with several employees at the same time.

And many of these women worked together. When Trudy modeled for American Apparel, she was photographed by one of Dov's longtime girlfriends. Sometimes Trudy worked at Dov's house, and she'd run into women living there, who were also in relationships with Dov.

I've spent hours talking with some of these women. They're friendly, thoughtful, warm... But the situation they were in was outside anything I had ever experienced in my 10 years reporting on business. I had a hard time understanding how it all felt so normal to them.

LISA: What was the conversation between, like, you and his other partners? I mean did you ever talk about him? Because you bo—you all kind of knew him in this different way, you know?

TRUDY: Yeah, you know, I was like really good friends with one of the girls for a long time. And we kind of talked about it, and kind of joked about it and... I think that we were like aware that this was kind of strange but also pretty normal in like our daily life. It's almost strange to like recount it now. Especially when I haven't in so long, because now it sounds more strange to me than it did then. Now I am like, "Okay that is kind of weird" but [laughs]. But yeah, so it's harder to explain it in terms when you were like, "Well it's how I felt then." You know, it's hard to articulate that.

LISA: Like was there ever a conversation when you did become intimate where it was like "Okay, here is the deal. This is how it works"? Or...or...or...or, do you know what I mean? Like... because if you are going in with like the expectation of like, "Oh, I am going to marry this person or, you know, I am going to be his one and only love." I mean it's like you are going to feel burned afterwards.

TRUDY: It was super clear from the beginning. Like there was no question of, it's just going to be me. You know, like we are all young girls and having our fun as well, so...how I envision my life is always to...to be...to end up in monogamous relationship and, I'm married now, but at that...at that time in my life it was just...it was just...it was an experience, and it was casual and fun in that sense.

LISA: But not everyone took their relationship with Dov so lightly.

AMY: There was not a time that I felt more passionately in love with someone. That's really the truth of it.

LISA: This is Amy Talebizadeh, who worked as a product developer at American Apparel. Unlike Trudy, Amy didn't consider her relationship with Dov just casual and fun. She was 23 years old when she started working at the company. She took a part time job as a sales clerk to help pay back her student loans.

AMY: I actually met Dov in a store. And I watched him from afar. I read every article online. And I was like what are you doing.. You cannot like a person, like, you cannot like the CEO. You work here. Like it was just...

LISA: Did you talk to your friends about your crush? I mean it sounds like you had a crush.

AMY: Oh man, I had such a crush. I couldn't... I felt like no one could understand me. No one. They'd be like Amy this is... Did you Google his name and look at his images? Like, come on! I felt like everyone would try to talk me out of it. But there was an attraction and I had to pursue it. You know, I remember being so excited and happy to be with him.

LISA: Here, my producer Luke Malone breaks in.

LUKE: Are you getting like teary?

AMY: I'm trying not to. It's just so... Yeah I haven't, like, disclosed any of this information ,so it can be a bit much. It's like a mixture of like happiness, and I can't believe I'm finally saying this and, like, putting it out there. It's a mixture of really coming to terms with like a moment in my life and being okay about it. You know, it was a lot for me to want to come out and say in my 20s, like yeah you're so unsure and you're so

worried about what other people think. But it's like okay. I don't care. I really don't care because it was something that I genuinely wanted. And you can judge it all you want but it's my life.

LISA: Amy said she dated Dov for a year. She introduced him to her parents. She thought of him as her boyfriend. In some ways, what she described seemed like a normal relationship, they'd go out to eat, see movies. In other ways, their relationship seemed anything but normal. Amy said when she was dating Dov, she lived in his house with several other women in their 20s. She didn't say whether these other women were also sleeping with Dov... but she says, it was a really competitive environment.

AMY: I felt like it was being in a house with a bunch of alpha females. Like all of us very dominating presence. All wanting our, like, this is who I am! I'm important! We're all important and in our own way. At times we could step on each other's territory, or whatever you want to call it. Um, I could have been more friendly, but, uh, you know it's also competitive.

LISA: And how many of these young, competitive alpha females were there?

AMY: Alpha females, oh God. Um, there was at least four in the house. And then there might be like, one that might get flown in, stay for the week, get flown out. You know and then you're hearing about their reputations before, like, getting to know them. Oh my God. A bunch of alpha females in their 20s who think they're all so great.

LISA: Many people we talked to told us that all those relationships could lead to conflict. I've heard stories about physical fights, employees pitted against each other, and someone who, in a fit of rage, tried to drive her car into Dov's house. This car thing, it happened twice, with two different women.

It wasn't just the women in relationships with Dov who were affected by the drama. Marsha Brady was one of the creative directors at American Apparel. She's Dov's age, and she said that when Dov and his girlfriends got into arguments, she was sometimes called in to mediate.

Marsha: He would call me and say, oh God, this girl and she left and she's yelling at me and I'm scared and I'm worried, like, what if she this and that and can you call her and I'm like, aw Jesus Christ. Here we go again.

LISA: Another employee I talked to—a guy named Ryan Holiday—who worked at American Apparel when he I talked with another former employee named Ryan Holiday. Ryan was in his 20s when he started working at American Apparel, and he said Dov's relationships stalled company projects.

RYAN: You know, you could work for months on some advertising campaign. And it could be hours from going live. And then—or it could be live—and then you could get an email from someone, with the CEO and your boss CC'd on it, saying that they hate it.

And all of a sudden it doesn't matter how good you are at your job. What really matters is what an uninformed, 20-year-old, desperate for someone's approval and to carve out a role for themselves inside the company... all that really matters is what they think of your work and how you manage to get along with that person.

LISA: So did this happen to you?

RYAN: Dozens of times. Hundreds of times. Not from hundreds of people. But I would say that was probably one of the most common problems. Does that give you a picture?

LISA: Did you ever confront Dov?

RYAN: Well there's a power differential, right? Like, a twenty-three year old working at a company is not in a position to challenge the CEO, owner, and chairman of that company on their personal behavior, you know? There really weren't that many people in a position who could say something.

LISA: Yeah, yeah. I mean it's just like, ugh, it's so tricky. It's like, even when you say that, like a twenty-three year old, you're not in a position to challenge the CEO, I mean I'm just thinking about like, you know women who were nineteen and twenty—

RYAN: Sure.

LISA: —that you know Dov is showing interest in sexually—

RYAN: Right, yeah, and that's sort of, that's what I mean. The same environment that they're in, is the same environment that all employees are in.

LISA: Dov's behavior also got him into legal trouble.

In 2005, four women sued Dov for sexual harassment. In one of the suits, a former employee said Dov once called her into his office with a co-worker and gave them both vibrators, saying, quote, "It's great during sex." In another suit an employee said Dov showed up to a sales meeting wearing nothing but a sock on his penis. He said he was modeling a new product.

Dov has denied he ever sexually harassed anyone, and he's declined to comment on these lawsuits—which were settled out of court.

Dov's sexuality was on display at American Apparel. Several people said he made sexual gestures in the office. Another employee who worked in the web department said he saw numerous photos on the company server of different American Apparel models giving Dov oral sex. Dov also refused to comment on *these* claims.

The work environment at American Apparel was so sexualized that Dov's employees couldn't always judge what was and wasn't appropriate. Tacee Webb, the employee who helped Dov

launch the retail business, told us this story. She was in Portland and one day, she saw this local blog where American Apparel would sometimes run ads.

TACEE: And there was a photo of Dov. Completely exposed. Like full frontal. The picture had been up for a long time. And like, believe or not, believe it or not, no one knew if that was, like, okay with him or not. It wasn't okay with me. But because it got to the level where nothing's shocking... like, nothing was shocking, everything goes... a lot of people just thought it wouldn't be a big deal that it was up there. So I called I called and I said, there's a photo of you on a blog and your penis is out. And he said, "What? Oh no! What? Are you kidding me? How did that get up there? Oh my God? Take it down! Call them up! Take it down! This is awful!" Right? It was like upside-down world. The only person that knew the rules anymore was Dov.

LISA: We got a taste of that ourselves. One day, my producer Kaitlin Roberts and I were out with Dov recording while he took photos around the city. We got back to his house sometime that afternoon. TAPE: Door opening, walking through the house I think we're here alone. And went up to Dov's bedroom, where he holds a lot of meetings. The walls are covered in notes scribbled on scraps of paper. He writes business projections in dry erase marker on his mirrors. And he has a desk where that day, he was uploading photos to Facebook. Pictures of neighborhood signs, a donut stand, an elementary school mural.

DOV: So I'll show you how I do it. So okay, so I'll like take one of the photos...

LISA: He points to a photo of one of his garment workers.

DOV: This is my favorite sewer. Like, her look? I love her look. She's always looking good.

LISA: We looked through some more photos. Then, Dov stood up from his desk.

DOV: I think I'm going to lie down for a bit, if that's okay. You guys could lie down beside me if you want. But you don't have to leave if you don't want to. Or you guys could relax. Do whatever you want.

LISA: We'll be downstairs.

DOV: Okay.

LISA: So, was that offer a joke? Or was Dov being serious? In Dov's world where the lines are so blurry, it's hard to tell. Joking or not, I don't think any business book would tell you that showing up to meetings half-naked and sleeping with lots of employees is good management strategy.

But on this issue, Dov is adamant: his sleeping with employees, it's not a big deal.

DOV: I think it's normal. I think it's private. I think society is too judgmental about it. And it's either gonna be don't ask, don't tell, or it's gonna happen overtly. It's almost unavoidable because what the heart wants, the heart wants.

LISA: Do you think it was the right decision for the company? For American Apparel?

DOV: What was the right decision?

LISA: For you to be involved intimately with employees?

DOV: Well first of all, you're making this supposition, maybe there was, maybe there wasn't. Maybe it was 10 years ago. It's really private. And that's what I would tell your listeners, that nobody should be asking you... or, you shouldn't be required to talk about your personal life with anyone. And don't bother, don't feel the need to defend it. It's your privacy and it's important. I think the way that I lived and the way my employees lived was natural and normal and a reflection of the workplaces that exist in Los Angeles today.

LISA: So you just said normal and natural and I'm just wondering, would you, would you have called it conventional?

DOV: Yes. It is conventional. It is conventional.

LISA: From the outside, this behavior sounds anything but conventional. A 40-something year old CEO of a company that was worth nearly a billion dollars sleeping with several of his much younger employees. But the surprising thing is when you speak to people on the inside of American Apparel, they say it didn't seem that unusual. They point to all of the ways Dov's unconventional management style was good for the company. They talk about Dov's commitment to sweatshop-free, Made In America. And they say, at almost every senior level, there were women in charge. The head of wholesale. The head of retail. The two heads of creative. All women.

Teena Pugliese started her career at American Apparel. Her first job was in accounting, then she went on to design jewelry. Later, she shot videos. She's now working at Dov's new company.

Teena says she was never in a relationship with Dov, but she had friends who were.

TEENA: I just think that people are grown-ups. that's how I feel And if you know that is probably not a good idea to get involved with your boss, because it's probably not, and you choose to do it anyway, like you're choosing to do that. Like I... it's not my business, if you want to be a part of that chaos go for it.

LISA: Many people rationalize Dov's sexual relationships with employees. But, Teena does have someone challenging her. Her boyfriend Caleb. He'd been puttering around their apartment as

Teena talked to one of our producers. But at a certain point, he came to the doorway and asked if he could join the conversation.

CALEB: Um, I don't know if my opinion is relevant at all, but some part of this story is hard for me, it's hard that she goes to a place where the boss dates his employees and actively says sexual shit to them all day—yeah! It's really hard on me. It makes me sick to my stomach, and it causes tension in our relationship.

TEENA: Yeah, it's been really hard. Babe...

CALEB: I love you, I hope you didn't mind me injecting that. I feel like it's a major part of the story.

TEENA: No, it's ok! You fee... come here. I don't see it. It's hard. It has been hard, because he doesn't understand that Dov doesn't hit on me. I am, I am, I am an exception to the rule.

CALEB: Right. I just really don't like that there's a rule. I don't like that you're the exception. I don't like that it's unusual that you're the one person who doesn't have some kind of romantic entanglement because I feel like, what that leaves, is, essentially non-sexual romantic entanglement. It seems to work fine inside the office, but for people outside of the office thinking about it, it's a source of some pretty great tension.

TEENA: And what's interesting is you're hypersexual. You're a hypersexual man.

CALEB: Yeah, but I don't date anyone who has ever worked for me, in any capacity, even on a volunteer basis. I think that's a line in the sand.

TEENA: We've fought about this because we worked together, that's how we met. We were in a play together, we were acting together in a show.

CALEB: But you weren't working for me. There was no political architecture where I was above you. If you're somebody's boss and you say, will you please have sex with me and there are twenty other people.

TEENA: Again this is you making assumptions that he is the initiator in all these things.

CALEB: Well he's certainly the point of it. People want to have sex with him so they can get ahead in the company.

TEENA: And that's another thing—don't you think that some people are want to have sex with them because they are attracted to him and they want to be with him in a romantic physical manner? It's not about power, Caleb. We're not all... women don't think like that. Women don't think as much like that as men.

CALEB: Really?

TEENA: Yeah! I don't think... at least for me I think that if I sleep with someone, they're going to disrespect me more. I think that's giving away my power I think that's giving away your power when you do shit like that. I think you have such a negative vision of Dov, just like everyone in the fucking world. And I keep telling you this, you don't work with him like I do. You are not there everyday like I am. You don't see it and yet you're throwing these ideas out like he's some sexual deviant that's running around jerking off on everything.

CALEB: I'm sorry—

TEENA: But he's not he's building a company.

CALEB: We don't disagree about any facts in this story.

TEENA: Yes, we do!

CALEB: No we don't. He's building a company, he has had sex with dozens of employees, you go to work there. We agree. There's no thing that I'm assuming that isn't a part of your narrative. We're looking at the same set of facts and I am having a strong negative emotional reaction. You're telling me it's unfounded because I don't see the specifics of the situation but frankly for me it's enough to see the aerial view. It's enough to know that he's had sex with dozens of employees. I'm very much not okay with that. And it seems to me like you are ok with that. Are you?

TEENA: I'm kind of ok with it. But I'm, I'm only okay with it because I'm... I think we talked about this, like, everyone has their right to choose what they want to do. We're grown ups. People are choosing to do this and, Dov has some sort of magical, like, charming quality about him, that like, people are drawn to him. If you think they're something wrong with it don't get involved with it.

CALEB: But I would maybe before I bow out, I would like to point out that It doesn't need to be personally pressuring to be structurally pressuring. There is such a thing as institutional pressure, even if Dov is not being creepy and personally forcing women to have sex with him, he has set up an architecture in his life which applies inherent pressure to people who are a part of it. It seems like an abuse of power to me. It seems like inherently an abuse of power. Like it couldn't not be, even if there are situations where people are totally willing and don't feel abused at all, they're gonna be people around the edges of that, even if they're as far away as me, who feel abused by the situation. Or disrespected. I vote no on supervisors having sex with multiple employees.

LISA: There were people at American Apparel who shared Caleb's view. But they couldn't say anything. The power dynamics that Dov had created in the company were so imbalanced, few people could really stand up to Dov without risking their relationship with him. But we met one

woman who challenged Dov throughout her career at American Apparel We'll talk to her after the break.

-BREAK-

LISA: Welcome back to StartUp.

Tacee Webb—the woman who helped Dov build the retail side of American Apparel—joined the company in 2003. At the time, American Apparel wasn't a household name, but it was seeing a lot of success, growing rapidly. And Dov, he was young, he was rich, and he was surrounding himself with beautiful women. Tacee knew Dov was sleeping around, but she thought it was just a phase.

TACEE: He was the guy that couldn't get a date in high school, and he was this kind of lonely, very, very nerdy, socially awkward guy with thick glasses who wanted to be a cool, American, hip guy with lots of girlfriends. It was like a fantasy for him. An American t-shirt was like an American dream to Dov.

LISA: But over time, Tacee began to see that Dov's behavior was a threat to the company. She told producer Luke Malone that she felt compelled to say something.

TACEE: I remember one time I said to him, "Dov, you banged a thousand girls. I don't know how many girls were in your high school. But like slow down. You know it's like. We gotta. We gotta set some boundaries here." I hope that's not too crass, but those were the conversations. The very real conversations that I had with him as his friend, and as his employee and as someone who wanted to protect the reputation of the company.

LUKE: And what would he say in response?

TACEE: We argued. He would say we were getting in a brother sister quarrel. Dov doesn't feel he ever did anything wrong. Because he has a real disconnect about what is ethically and morally right and wrong in the workplace.

LISA: Tacee kept hoping Dov would change. Then one day, she went to an art show with a couple of other women from American Apparel.

TACEE: We walk in, and it's like a packed show. And I see that one of the pieces is pornography. A line drawing in magenta. And there's a man having sex with two women. And it says American Apparel. Like a large art piece, over maybe three or four feet, in front of everyone. At an art show. And we all walk in, all of, like, the leading women of American Apparel. So I bought the painting. And everyone was shocked that I bought the painting. But I bought it because I wanted it off the wall. And I was ashamed of it. I waited until the end of the show and took it to Dov's house. Like we were all in that moment like, is Dov going to freak out and hate it? And, like, be embarrassed of it and sue the guy? Or like denounce it and say how awful it is? Or like, what's gonna happen?

And we were all kind of afraid like Tacee just take it back to Portland or whatever, destroy it or what have you. Instead I put it on the head of his bed, so when he walked into his bedroom that night it that was the first thing he saw. And to me it was kind of like. Ok, here's where we're at. Whatcha gonna do? And he loved it. He loved it. He absolutely loved it. That was kind of a turning point. One of those moments where I could see that they're gonna turn. Everybody's going to turn on Dov.

LISA: Tacee started to see American Apparel's image suffer. There was a mean-spirited cartoon in a local paper where Tacee was trying to open a store. A skit on Saturday Night Live about the sexual harassment charges. Sometimes the criticism got personal. Once Tacee was in a store where she saw a calendar mocking the women of American Apparel. Each page of the calendar was made to look like an American Apparel ad. The fake models each had a bio with some dark story about what it was like to work at the company.

TACEE: I looked through the calendar and realized that most of those stories were based on real people at American Apparel. And I believe one of them was based on me. And so, I think there was enough, kind of, stories out there about people at American Apparel and how... what their role was, their involvement was. And it was mocking... a calendar mocking the women of American Apparel. And so, I feel like I went from being this like, person who was helping steer this revolutionary brand. "We're the Daughters of the Ban the Bra Generation," and just feeling like so bold that we could do no wrong, and we were these like powerful young women in fashion and we were going to change things. And then just really feeling like not only were we being demeaned by our employer, potentially, but that that was becoming ingrained in pop culture. And that hurt. That really hurt.

LISA: The public became more critical of American Apparel. And Tacee saw how that hurt the business. When she tried to open a retail store in Los Gatos, California, the town protested.

TACEE: There was town hall meeting where they showed pictures of women scantily clad and one man yelled, "They're raping women at the factory!" And I was... I had to defend Dov. My friend, my employer, the brand I loved and believed in and it was extremely hard on me. Like, very hard on me. At a certain point, after many meetings like this, um, where I felt like we were getting run out of town, we couldn't even open a store at certain locations, they wouldn't give us a lease, because of images that were hung at American Apparel and because of the stories that were starting to come out? And, uh, that was the point where it became really dark.

LISA: At the time, there were no public claims of rape against Dov, but to Tacee it was clear... Dov's behavior was starting to put the business at risk. Many other people we spoke to shared her opinion. But when we asked Dov if his behavior hurt the business, his answer was unequivocal.

DOV: No. It's an insulting question because there's no evidence that it did. It's a silly question. This is a company that generated 5 billion dollars in sales. Okay? How could...

how could've my personal life affect it... affect in an adverse way, the company? It's not even in the realm of possibilities.

LISA: Many people disagreed. Tacee told producer Luke Malone, that she felt like someone needed to tell Dov, in no uncertain terms, stop having sex with your employees.

TACEE: I was very aware that I was older than most of the women that kind of experiencing these challenges with Dov. And I felt kind of obliged to be that voice for younger women, you know? Like, I always felt like I'm a tough-as-nails girls that's been on the block. I'm Dov's age and I kind of came in being a business owner and feeling very much like his equal. That he hopefully had enough respect for me, as somebody that was established in the apparel industry, to listen to me. I felt like I needed to be that voice um for people who maybe didn't have a backup plan, who couldn't say something, who feared that they would lose their jobs for saying something.

LUKE: And how did that conversation go? Where did you have that conversation?

TACEE: He was at the passport office. And, I don't remember... I think he called me. And the conversation just increasingly escalated. And he was, like, very distracted initially. And he was like, "It's my last day to get my passport and Tacee I can't deal with this right now." And I just said that we'll you're going to have to deal with it. I think you know there have been yet another suit filed and he was still kind of acting like it was going to go away and it wasn't going to get any bigger. And it was like, a big pretty much shouting match. And I really wanted it to come from this heartfelt place, where it's like, I don't want to be a threat to you. I want you to make sure everyone is going to keep their jobs. Make sure that the mission of the company continues. Build this company. I told Dov in no uncertain terms that if his personal choices and his behaviors continued, that he would lose American Apparel. That American Apparel would be lost without him and his leadership. And all the jobs would be lost, mine, his and everybody else's and it's exactly what happened.

LISA: Tacee left the company. She didn't like what American Apparel had become. It was 2010, several years before Dov was fired. In those years, more women came forward saying Dov had sexually harassed them. And the allegations were more severe. We'll talk about them on the next episode of Startup.

-BREAK-

LISA: StartUp is hosted by me, Lisa Chow. Our show is produced by Bruce Wallace, Luke Malone, Molly Messick, and Simone Polanen. Our Senior Producer is Kaitlin Roberts. We are edited by Alex Blumberg, Alexandra Johnes, and Caitlin Kenney.

Fact checking by Michelle Harris. Special thanks to Rachel Strom and PJ Vogt.

Mark Phillips wrote and performed our theme song. The new version of the theme song by the incomparable Bobby Lord. Build Buildings wrote and performed our special ad music.

Original music by the band, hotmoms.gov, which includes The Reverend John DeLore, Jordan Scannella, Sam Merrick, Isamu McGregor, and Curtis Brewer. Music direction by Matthew Boll. Additional music by Tyler Strickland.

Martin Peralta and Andrew Dunn mixed the episode.

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Thanks for listening. We'll see you next week.

Part 5: Suits

LISA: From Gimlet Media, this is StartUp. I'm Lisa Chow.

A couple months into reporting on Dov Charney, I'd gotten into this routine. Every week I'd fly from New York to LA. The night before, after I put my kids to bed, I'd pack a backpack with my recorder, a change of clothes, and try to get a few hours of sleep before heading to the airport.

And that's pretty much where the routine would end. When I'd get off the plane and meet Dov, I really had no idea what the day would be like. We could be driving to factories, or taking pictures of LA for Dov's new marketing campaign.

Or, Dov could be in one of his moods, where he walls himself off like a surly teenager and tells me I'm asking foolish questions.

One day I'd just landed and I went to meet Dov at his new factory. At this point in our reporting, he'd hired a team of sewers, and was making t-shirts for a handful of customers. I saw him pacing the rows of sewing machines and approached him with my microphone. When he saw me, he looked annoyed and waved me away, storming off with his phone on his ear.

I stood off to the side of the factory. And waited. I'll take this moment to warn you that there's some strong language in this episode and also references to allegations of sexual assault.

I wasn't exactly sure what to do. And so, I took a few steps toward him again.

DOV: I'm just putting some... when are you... like, try to know how to work with me.

LISA: I know, tell me! Talk to me.

DOV: Just... merge into me. I'm running a real business. This isn't a fake show where I'm like, pretending to start it up. I'm fucking holding a lot of people here.

LISA: I totally understand, so tell me—

DOV: Okay so don't like, poke into me so fast. You guys got months! Finesse it. You'll be much better off. You'll get a more authentic situation. You're like "hey how are ya?" It's like you're on a date and you're trying to kiss me! Like, back off! I just sat down! Okay? Take it easy!

LISA: You came in... you came in—

DOV: This is your problem, not mine. I know how to do this, I can do it for you. You see your subject. Caress into it. Don't like, ah! No one needs that. It's wasting time. Give me a second. I just drove down, in traffic, two phones, call waiting, walk in, pulling things in, and you're like, ah! Give me... I'm on the phone. You know, like, let me finish, okay?

Understand, when a man's on the phone, too, it's... it's... or a woman. You know, same thing. Hi—

LISA: Then, immediately after, Dov looked over his shoulder, gave me a smile, and said, c'mon, follow me.

Dov's moods are very unpredictable. The more time I spend with him, the more different sides of his personality emerge, but the less I feel like I really know who he is.

I'm not the first person to have this experience. People have told me they spent years working with Dov thinking he was one kind of person and then something happened and their view of him changed. And if you had a bad experience with Dov, sometimes it was hard to convince others that Dov really had that side to him.

Dov was adored by thousands of his workers. But he was also accused of sexual harassment by several young women who worked at the company.

For a long time, that disconnect raised a lot of questions about what was really going on inside American Apparel.

Today on the show we're going to talk about a particular time in the company's life—when American Apparel went from being a privately held company to a public one. Dov started having to answer to a board of directors and was coming under greater scrutiny for his management style and behavior with employees—which included claims of sexual harassment. We're going to be talking about the board's concerns and also problems at the company between Dov and his employees—some of which have never been shared publicly before.

LISA: Before meeting Dov Charney what did you know of him?

ALLAN: I didn't know a lot about Dov Charney before he actually came to me. And so I suppose I knew what most people knew which was he was this crazy Canadian who came to the US and built this t-shirt company and had a bit of a reputation as a, you know, a wild man. But he really wasn't that much on my radar screen. And then one day he showed up in my office.

LISA: This is Allan Mayer. For many years, Allan was a journalist. He wrote for the Wall Street Journal, was an editor at Newsweek. But by the time Allan met Dov, he was well into his career in PR as a crisis manager. Allan's been described as one of Hollywood's most prominent crisis specialists, and he's worked with a lot of people: Britney Spears, Rush Limbaugh, Tom Cruise... and Dov Charney.

Dov showed up at Allan's office in 2005, a year after an article was published in Jane Magazine—the article where a young reporter described how Dov masturbated in front of her several times. Allan remembers talking about it with Dov.

ALLAN: I said, "Well, what happened? I mean, you know, is it true?" And he told me a story about how, "Well, yes it was true, but what she left out of the story was that she was into it also, and all of this other stuff." I said ... "Please, you're a grown up! When a reporter comes to see you, I don't care how interested she seems to be in you, or how consensual the situation is, you don't bleep the reporter." Um ... I didn't say bleep. But I've gotten older and more discreet. And he argued back, "Well no! Why should I have to?" And I finally said to him, "You know, that's the way, you know, the world is organized, and simply to ignore it is going to bring upon you the kind of trouble you have right now!" And he grudgingly conceded that that might be the case. And um... and he became a client of mine.

LISA: Over the months they worked together, Allan got to know Dov. They talked about Dov's hopes to take the company public, growing the business, the craft of making a t-shirt...

ALLAN: He could talk for hours about weaving yarn. And he did. And he knew the intimate details of his business from creating the garments to designing the fashions to you know selling to the wholesale distributors. And then, he was thoroughly engaged, you know, every cell of his being and it was very impressive to me. A little worrisome but—

LISA: What was worrisome about Dov?

ALLAN: Well just as I say His attitudes about women seem very adolescent. And I know that a lot of the women I knew at the time, including my wife, would give me a bit of a hard time, for defending Dov or being, you know, his guy if you will. But it was worth the effort, because everything else he was doing was so positive.

LISA: One day, a while into knowing Dov, Allan got a call from some lawyers.

ALLAN: They start asking me questions about my background. And I finally said, "What is this? Why are you...?" And they said, "Oh well, we're doing due diligence." And I said, "For what?" And they said, "Well you know for you to be on the board of American Apparel." And I said, "Excuse me?" And they said, "Well, didn't Dov tell you?" And I said, "He had mentioned a year or two ago they might go public and he'd like me to be on the board." And they said, "Oh yeah, that's what happening." And I thought it would have been nice for him to call me and let me know it's going forward. That's classic Dov. And it turned out that, yes the company was was was going public and the deal that Dov had with the backers was, I guess, he got to name four board members and I was one of them.

LISA: Allan will be the first to admit, he doesn't have the typical background for a board member of a public company. They're usually senior executives at large companies, or people in finance. But Dov figured the investment firm that was taking the company public would appoint

a bunch of stiff suits to the board, guys who didn't really understand him. So he made sure to choose people with some personality.

We reached out to 11 former American Apparel board members. Only Allan Mayer and one other board member talked with us on the record. I should say upfront here that both of them are defendants in a lawsuit that Dov filed.

The other board member we spoke to was also appointed by Dov. He was one of Dov's favorite writers, a guy named Robert Greene. And when the two first met, Robert felt an immediate kinship.

ROBERT: He's a character and I like characters. I don't know why. I just like weirdos, people who are different. And he fit the... the profile. And I think he liked me. And, you know, I must admit, it's flattering. At that point, um, my book was doing pretty well, but I wasn't that... but I wasn't really well known. So it was quite, good... a stroke for my ego, because he was such a huge fan.

LISA: Robert Greene writes books with titles like, *The 48 Laws of Power*, *The 33 Strategies of War*, and *The Art of Seduction*.

But he doesn't seem like a particularly macho guy. I met him at his home in Los Angeles. He's a little scruffy, tall with glasses. Spends most of his days writing and hanging out with his cat Brutus. Not exactly someone groomed for the boardroom. Something he was well aware of.

ROBERT: I made it clear, "Dov, I don't know anything about business. I can help you with strategy. I know people. I know how awful people can be. I can help you with awful people. That's my specialty. Um, but I don't know my head from my ass when it comes to numbers."

LISA: Robert's been a screenwriter, a hotel receptionist, a translator. And he had noticed these jobs had one thing in common. There were always weird power dynamics at work. And so, to help people navigate those dynamics, Robert write a book called *The 48 Laws of Power*. Dov will often recite quotes from this book, at board meetings, to friends, to us. We asked Robert to read from it. He flips to Law 27.

ROBERT: "Play on people's need to believe to create a cult-like following. People have an overwhelming desire to believe in something. Become the Focal point of such desire by offering them a cause, a new faith to follow. Keep your Words vague but full of promise; emphasize enthusiasm over rationality and clear thinking. Give your new disciples rituals to perform, ask them to make sacrifices on your behalf. In the absence of organized religion and grand causes, your new belief system will bring you untold power."

LISA: There are other laws. Law 11: Learn to Keep People Dependent On You. Law 32: Play To People's Fantasies, and Law Number 5.

ROBERT: Okay, Law Number 5. "So much depends on reputation; guard it with your life. Reputation is the cornerstone of power. Through reputation alone, you can intimidate and win. Once it slips, however, you are vulnerable, and will be attacked on all sides. Make your reputation unassailable, always be alert to potential attacks and thwart them before they happen. Meanwhile learn to destroy your enemies by opening holes in their reputations. Then stand aside and let public opinion hang them."

LISA: By the time Robert joined the board of American Apparel, he'd known Dov for a few years. He'd become a kind of informal consultant, and was used to Dov's calls about issues at the company, about conflicts he might be having.

ROBERT: And then the other thing of course, because I wrote The Art of Seduction, and Dov is who he is. He wanted to talk a lot about that. He wanted to talk about women and seducing and things like that. Um, I wasn't so gung ho about talking to him about that because... I don't why, I was a little bit skittish. He would call me late at night, and I would think he was calling me for advice. And it would end up he's talking about you know women problems and stuff. As if, I'm gonna help him with that.

LISA: So, initially, so he was talking about people who were causing grief and he was talking about women?

ROBERT: Yeah. Yeah, I mean, really, what else is there to talk about for Dov, you know? I mean, he's obsessed with his business, that's all he lives for, 24/7, and sex. You know, so that was pretty much his life back then.

LISA: Dov denied these conversations happened.

Back in 2007, when Robert and Allan joined the board of the newly public American Apparel Inc., there were a lot of issues to manage.

Within a year, American Apparel had opened 80 new stores. The company was now operating 260 stores around the world.

All that growth happened at a bad time. The financial crisis hit in 2008. A year later, immigration authorities audited the company, and American Apparel lost thousands of undocumented employees who had been working at the factory. Its workforce was decimated, and it took the company several months to rebuild and train new garment workers. Costing hundreds of millions of dollars in the process.

The company's stock price, at its peak in 2007, was 15 dollars. By 2010, it had sunk to 75 cents.

One problem the board noticed was that there weren't a lot of experienced people high up at the company. Board member Allan Mayer said Dov wanted to do everything on his own without bringing in people with more expertise.

According to Allan, Dov had set up a structure where he was indispensable. He made all the decisions and surrounded himself with all these young people who couldn't really question him.

ALLAN: There was Dov... and there were a bunch of kids, basically. And, you know, we would pressure him to bring in "grown-ups," as we said. And under protest he would do it and then he would make life miserable for them and they would leave.

LISA: In an interview with the Wall Street Journal, Dov called one of these grown ups—a newly installed CFO—a quote "complete loser." The CFO resigned.

ALLAN: So beyond the general counsel and the chief financial officer, and the head of manufacturing, all of whom were experienced, just about everyone else at the company was younger and less experienced than Dov. So if he got hit by a bus, the company would be in serious, serious trouble. And so it made the board, I think, reluctant to move against him without very, very good reason.

LISA: Board members like Allan and Robert viewed the 'kids' culture as a bad thing, but the kids, employees in their 20s, didn't see it that way. Many of them felt they owed their careers to Dov. They were learning, taking on responsibility they wouldn't have had at most other companies.

One of those people was Ryan Holiday. He's an author and a PR guy. One of his clients is former board member Robert Greene. He was 20-years-old when he started working for Dov, and he eventually became director of marketing at American Apparel. The way Ryan saw it, Dov bringing in young talent, at lower salaries, was a way to save money and pay garment workers higher-than-market wages.

RYAN: American Apparel, given that it refused to sort of exploit its factory workers, had get to really creative with everyone else it hired. So when you pay the workers 25 cents an hour, you can afford to hire... you know, a marketing director for 300-400 thousand dollars a year. When you're paying them \$13 or \$14 an hour, and you have them on full time payroll, I think you have to have a more open-minded, unique approach to recruiting talent. And so, you know, most of the people at American Apparel were much younger. Many of us were much less qualified than maybe someone who would've gotten hired at a similar company. But a lot of those people ended up being great. Not. clearly not all of them. But a lot of them did. American Apparel on its face is an insane idea. Right? It's a... we're going to make our own clothes, it's not going to have a logo on it, we're going pay our workers a fair wage. We're going to do our own marketing and advertising. And we're gonna be based in Downtown Los Angeles. We're going to do all these things. And we're gonna run our own stores and sell our own products there. This is crazy, right? But it worked, and it worked at progressively larger levels for you know almost two decades.

LISA: If anyone could pull off running a company staffed almost exclusively by young, eager beginners—it was Dov. Because he was involved in almost every decision, at every level. He decided what images went on the website. How the cut of a t-shirt should look. He'd walk through the factory and make quality corrections, snipping away stray threads, checking the stitching on a seam. He posted his cell phone number online and would take any call from anyone, anytime. And he was the person many employees went to when they needed help with work problems *and* personal issues. We talked to one woman who called Dov for help when a circuit broke in her house. Ryan told me when he got into a car crash, Dov told him, “you were probably thinking about work. I'll pay for the repairs.” Creative Director Marsha Brady told me... if you're in jail, and you've got only one call to make, call Dov Charney, because he'll pick up and help you.

For Dov, there was almost no distinction between his personal life and the company.

Again, Ryan Holiday.

RYAN: I remember there was one moment um – I'd been there a couple years. And he would call me. And then fall asleep on the phone. And we would be talking and he would talk until he fell asleep. And I realized that he didn't actually need to talk. It wasn't that it was so busy and then he was talking and he fell asleep. Although, I'm sure he's worked himself so hard he would do that. It was more that, I think he just didn't want a few minutes of silence. And I remember that sort of helped me understand who he was.

LISA: Yeah. I mean, when you say, “understand who he was,” what was that?

RYAN: Well that it's, it's—it's lonely. I think he just called me so I would talk him to sleep. What does that mean? You know? You know what I mean? It's just, it's... I'd never dealt with anything like that before. And it was like, “Oh, this is a business, sure. But it's something more than a business. It's filling more than just a business place in your life.

LISA: The first time I met Dov, he said, “I was American Apparel. I am American Apparel.” That's how he saw it when he was CEO. And that's how he saw it in March of this year, more than a year after he'd been fired from American Apparel and was starting up a new company.

Dov didn't want anyone to tell him how to run his business, or how to live his life. But his habit of sleeping with employees was causing another problem for the company in the years before and after going public: lawsuits.

In 2011, five more women sued Dov for sexual harassment. Robert Greene remembers going to the factory to talk with Dov about the lawsuits. He said Dov showed him email exchanges he'd had with one of the woman suing him.

ROBERT: He showed me documents that clearly revealed to me that this was bogus. So that—

LISA: What was the evidence that, like—

ROBERT: Emails, and things like that. I don't really remember exactly what it was. But it really convinced me and other people who were there. So, you know, I kind of go, "Well, you know maybe he is right. Maybe he is the target unfairly for people who're just trying to make a lot of money off of him."

LISA: I... I'm wonder—

ROBERT: I mean the other thing you have to understand about the women is...I'm sorry, about the women is—

LISA: Yeah, go ahead.

ROBERT: It's very difficult because he was surrounded by a lot of women who adored him and were very positive about him. So, you know, that skews your impression of a person. And it did. It influenced me.

LISA: Were they defending him against the lawsuits?

ROBERT: Some of them were. Yeah.

LISA: But even if Dov's relationships with employees were consensual, as Dov claimed, Robert Greene felt like he needed to say something as a board member and also as a friend.

ROBERT: I told him on several occasions, numerous occasions, "You gotta back off on this. You've gotta, like, go have—you know, I'm not the police. You go have as much sex as you want. No one's gonna stop you. But don't do it with people in the company, you know? Just—if you're that horny, hire, you know, call girls, or just go meet women on whatever. But stop in the company."

LISA: And what—how did he respond?

ROBERT: "Yeah yeah yeah, yeah yeah yeah." But also, "I don't have any life outside of American Apparel, where else am I gonna meet anybody?"

LISA: Again, Dov denied this conversation happen.

Allan says the board started to lose confidence in Dov's management.

ALLAN: I mean there was a move by a number of the board members in 2011 to um investigate more. And ... I blocked it. And the reason I blocked it was, it wouldn't make anything better. And, if we were successful in discovering something that would push

him out of the company, at that point, I don't think the company could've survived his departure.

LISA: But Dov's presence was creating problems as well.

Allan Mayer said when the company wanted to borrow money, lenders were wary.

ALLAN: Very few reputable financial institutions wanted to lend money to the company. In large part because of Dov's reputation. And it's interesting, how, even at the highest levels of finance, stuff they read on Gawker will affect, you know, as much as a Dun & Bradstreet credit report, affect that this guy had this reputation as this pervy, skeezy guy, meant that the JP Morgan Chase's of the world didn't want to do business with him. And so we wound up having to borrow money at credit card rates. And that was killing the company.

LISA: I told Dov about what Allan Mayer said about American Apparel's borrowing costs being at credit card levels.

LISA: What do you make of the high interest rates?

DOV: Who cares? 10, 11%? With all of that, or just some of them?

LISA: Well, I mean—

DOV: The average borrowing was... it was with single digits. Who cares? Who cares? The business is successful, you refinance it. You take the loans. You're coming out of the recession. Shame on you, you sanctimonious person. Everybody was paying—

LISA: I was just asking!

DOV: Any business that had debt coming out of that, any business that came out of the recessionary period, that wasn't Blue Chip. McDonald's couldn't finance coffee machines.

LISA: Yes, the financial crisis did make it hard for American Apparel to borrow. But years later, the company's borrowing costs were still through the roof. In 2014, the interest rate American Apparel was paying on its long-term debt was 15 percent, while competitors like Gap and Hanes were paying closer to 6 percent. But Dov says, it doesn't matter.

DOV: I was running a \$600 million dollar business successfully, with positive cash flow. Hands off, morons! Hands off! The EBITDA, the earnings in 2013, they were at 36 in 2012 went down to 10 and 13, went back up to 40.

LISA: Okay, to dive in here. EBITDA stands for earnings before interest, taxes, depreciation and, amortization. It's a proxy people in business use to evaluate a company's fundamental

business model. In a theoretical world where taxes don't exist, you never borrowed money and machines work forever, are you making more money than you're spending. But it's only a good proxy if your debt is in a normal range. And you're paying a reasonable interest rate.

CHARLIE: The only way the company was able to pay its bills for awhile was borrowing more money.

LISA: Charlie O'Shea is an analyst for the credit rating agency Moody's. In 2013, he rated American Apparel.

CHARLIE: We have a situation where, the company never grew its profitability sufficient to be able to cover its expenses. It's akin to somebody running up their credit cards and then they can't make the—even the minimum payments. And then other credit cards shows up in the mail, and they go out, and get a cash advance on that, and they pay of the other one. You can do that for a while, but at some point, no one's going to lend you money anymore. And, you're not going to be able to pay back what you already owe.

LISA: If you talk to Dov about this time that Charlie's discussing—2013—Dov says, everything was gonna get better. The company was just about to turn a corner. Charlie says, maybe. But from where he stood, the company's financial situation was pretty much as perilous as it could be. Charlie said Moody's gave American Apparel the lowest first-time rating it had ever given a retail company.

CHARLIE: We assigned a new rating of CAA1 which is very rare at Moody's. Typically companies that we rate rate at a higher on a first time basis. So the company was already—I don't know what the right adjective would be but the company was already in some form of distress.

LISA: Dov's friend and American Apparel board member Robert Greene was watching everything unfold from the boardroom, and his doubts were growing.

ROBERT: Things start piling up where there's more and more stories, there are more and more lawsuits. And the pattern just kept repeating often enough and the stories got worse that you realize that maybe you weren't right in your assessment of some of these cases. And maybe even the one that he showed me the emails, I had a very skewered impression. And maybe that person was legitimate. I couldn't tell. So, um, basically what happened was, it became evident that there was really something behind some of them.

LISA: What was behind those lawsuits? That's coming up after the break.

-BREAK-

LISA: Welcome back to StartUp.

The sexual harassment cases against Dov started coming out in 2005. In the years that followed, more women came forward. And the accusations were even more disturbing. These later cases included accusations of outright sexual assault—an employee said she was forced to perform sex acts on Dov while she was being held at his apartment in New York. Another woman said she was made to masturbate in front of him. One employee said Dov threatened her after she refused to have sex with him. Dov has denied the allegations. Many of the cases were resolved through private arbitration.

We reached out to many of the women who filed lawsuits against Dov. They either didn't get back to us or said that ... even if they wanted to talk, they couldn't discuss their case. But there was *one* woman who agreed to talk to us. Her name is Marissa Wilson.

LISA: What happened between you and Dov that compelled you to sue him?

MARISSA: That's something that I cannot not comment on, today or any day.

LISA: And why... why exactly can't you comment on it?

MARISSA: I'm not at liberty to. I've been silenced.

LISA: Marissa can't talk about the details because she signed a settlement agreement with American Apparel. She's also bound by several other documents she signed when she worked at the company. By 2007, American Apparel started requiring employees to sign several legal documents. Once they signed these documents, employees could not publicly talk about what went on inside the company without risking severe financial repercussions, and they were also left without much legal recourse.

One of these documents was an arbitration agreement. By signing it, employees waived their right to sue in court. Disputes would instead be mediated privately, in arbitration. Arbitration clauses are fairly standard in corporate America. But when a case is settled in arbitration, most testimony and judgments are confidential. So, there's no public record of some of the allegations against Dov.

Employees at American Apparel also had to sign agreements that were much less common. Like a confidentiality agreement, which said that if an employee spoke out publicly against the company or disclosed information about aspects of their employment, they could be forced to pay damages of 1 million dollars.

Finally there was a waiver. By signing it, employees waived all claims against the company. It's pretty standard for an employee to sign a waiver when leaving a job and getting a severance payment. But at American Apparel, employees were asked to sign waivers when they got raises or bonuses, or when they changed positions. They were effectively signing away their legal claims in return for small increases in pay.

Three employment lawyers reviewed the documents for us. We were told that the way American Apparel used waivers is extremely rare. One lawyer, who works on behalf of major corporations, told us it was probably legal, but she'd never seen anything like it.

The lawyers also called the million dollar provision of the confidentiality agreement “extreme,” “overbroad,” and “not standard.” One described it as a way of buying silence from employees. And it did. In the course of our reporting, we've had several sources decline to talk on the record because they're still fearful of violating the agreement. And American Apparel did enforce them—one woman who sued Dov was ordered to pay the company \$800,000 after she went on The Today Show to talk about her sexual harassment case.

So, while Marissa can't speak about the details of her case against Dov and American Apparel, she can discuss the circumstances of her life in general at that time.

I met Marissa at her lawyer's office in LA. She's friendly but quiet, with a nervous smile. She started working at American Apparel in 2010, after meeting an employee who liked her style and asked her if she'd be interested in a job. The offer took Marissa completely by surprise.

MARISSA: I knew that it was a place that was difficult to get hired at, because it seemed like only very attractive interesting people worked there, from what I could tell. And it was a place that a lot of people wanted to work at and they wanted me to work there. I got recruited. So I did not seek it but I was very flattered to have the opportunity presented to me.

LISA: And what was the job?

MARISSA: I was a sales associate, a retail sales associate in a store in San Diego.

LISA: At the time, Marissa and her mom were living in low-income housing in San Diego. It was just the two of them, and her mom had recently been laid off from her job as a social worker.

MARISSA: She had received word that her entire branch was going to be closing. She worked in a welfare-to-work program and so she knew that... she had a couple of months' notice, but I got recruited for American Apparel shortly after she received that news. And so I hadn't really been looking for a job, but one found me. And what I thought to be perfect timing.

LISA: Her mom was sick and struggled to secure another job. Which meant that they were now both depending on Marissa, an 18 year old who hadn't finished high school, to provide for the family.

MARISSA: It felt like an enormous amount of pressure. I had always been in a sort of caregiver role to my mother. She was ill when I was younger but... that job very quickly became the most important thing in my life. And maintaining it at any cost was important

to me, so that I knew that my mother could have a place to stay, a place to live, food, and that I could consistently provide for her. That was the most important thing to me.

LISA: She'd been working at the San Diego store a couple of months when she heard he was going to be stopping by.

MARISSA: This wasn't just someone coming to look at this store, this was the man. This was who started this company. I didn't really know what to expect.

LISA: And this is the point in the story where Marissa would no longer comment. But we have another source... a report from the arbitrator who considered all the testimony in the case and ultimately decided in Marissa's favor.

This report... which was not given to us by either Marissa or her lawyer... states that the evidence presented by Marissa was compelling and believable. It also describes some of the evidence presented by Dov and American Apparel as quote, "not credible." And the story it lays out is upsetting.

The document details how upon meeting Marissa in the American Apparel store, Dov invited her to come to LA with him for a week-long merchandising training. That training took place at his house. In the report, Dov says he connected with her energy and wanted her to help him turn stores around. He didn't allow her to return home for a suitcase, and told her that she'd be staying at his house.

I'm going to read a section directly from the report. It states, quote, "Almost immediately after arrival, Wilson was taken to Charney's bedroom and left alone with him. He was lying on his bed and asked her if she were an exhibitionist or a voyeur. Neither of which word she understood. He asked her to show him her breasts, which she did. She had no sexual or romantic interest in him. He was, as she put it, the age of my dad. He gave her a vibrator and told her to use it on herself. He then told her to perform oral sex on him. She could not think and was, as she described it, in a blackout, survival mode. He then dismissed her. She felt hollow and ashamed and could not process what happened." End quote.

According to the report, 10 similar incidents occurred while she was at Dov's house. The report states that Marissa felt, quote, "altered" and that Dov's behavior was, quote, "disgusting" and "de-humanizing" but she thought this was how the fashion industry worked. That it was "part of her job." Marissa was far from her home in San Diego, and didn't own a car or even know how to drive.

The arbitration report also describes testimony from Dov's housekeeper in favor of Dov and American Apparel, against Marissa. The housekeeper testified that Marissa said she loved Dov and was happy to be living at the house—but then, when the housekeeper was asked to pick Marissa out of a photo lineup, she couldn't.

Dov's housekeeper was found to be not credible.

After three weeks at the house, Marissa called her brother to come get her and take her back to San Diego. The report states when Marissa told Dov she was leaving, he offered her a dollar fifty an hour pay-rise and a 500 dollar bonus in exchange for signing a release form. Which she did.

The report says Marissa kept working at the San Diego store, but quit a month later. She signed a severance agreement which included a payment of 800 dollars, and released American Apparel of all claims made by her against the company.

The lawsuit that Marissa was part of wasn't filed until nine months after she quit. And she wasn't the lead plaintiff. She got a call from a lawyer representing a former American Apparel employee, asking her to join the lawsuit as a co-plaintiff, along with two other women.

It took four years, but the case was eventually settled and Marissa was awarded 2 million dollars. The money may have helped her family, but it didn't change her experience.

MARISSA: I've mostly dealt with everything privately, and so a lot of the things that I experienced were not known to even the people that were closest to me. And so I... I would love to be able to give a voice to women because I think... I think it's wrong to be silenced.

LISA: I mean obviously there would be... there is a potential risk to you talking about your experience at American Apparel. How how does it feel that there is even this risk?

MARISSA: It feels like an impossible weight that I'll never be able to rid myself of. I can't speak about my experience at this company. And I've accepted that. But it's still something that I have to deal with privately, and it's something that affects me every day.

LISA: The allegations leveled against Dov were serious. And persistent. It got me thinking, when the CEO is being accused of sexual harassment or assault how do the employees process it? How do they explain it away? Because many did.

There were 10,000 people working at American Apparel, and many of them were radically devoted to Dov. They respected him because he had a habit of lifting people up—young workers, immigrant workers. Many of the upper-level employees were women. How could he turn around and act differently behind closed doors? It's easier to believe that he was a target of people trying to extort money. That was the line he was giving, and it's the way the people closest to him interpreted the allegations: "Dov's inappropriate, crazy. He wears his heart on his sleeve, and sleeps with his employees. Of course he makes for an easy target."

LISA: How did you reconcile the Dov you knew to the Dov that was portrayed in some of the sexual harassment lawsuits?

AMY: Oh my God. This goes again to the protective side of myself. The conflicted side of myself. Cause I know how caring, how loving he can be, how sweet, how funny.

LISA: This is Amy Talebizadeh. Who we heard from in the last episode. A product developer at American Apparel, who dated Dov for a year.

AMY: And it would drive me crazy. I couldn't sleep at night to see what I was seeing online or like on TV with ABC news, like it just would drive me crazy. Cause it wasn't true! And then when we tried to get the evidence to put together the truth, nobody wants the fucking truth. They want the... we want the guy who looks like he's jerking off on his employees. That's a good story. Nobody cared about how many jobs is he creating in America? Do we ever talk about how he's creating rights for... for the people that need health care, that need workable wages? Like, oh my god... what's... where's the real story? It would bother the shit out of me and I just, it came to a point where it's like, I can't. How can I fight this?

LISA: Most employees I talked with about the accusations were not as steadfast as Amy.

They didn't give me a simple answer because it's not a simple situation. We like to think of people as being good or bad. But bad guys can do good things. And good guys can do bad things. The idea that Dov could be both a charming visionary and also an abusive boss... that he could give women and immigrants opportunities and also sexually harass employees. Holding all that together... it's confusing and when you're working closely with someone like that, it's hard to know what to do about it.

I recently met an employee who told us she had bad experiences working for Dov. She never sued him or American Apparel. In fact, this is the first time she has spoken publicly about it. She asked us not to use her real name. So we'll call her Danielle. We also altered her voice.

Danielle worked at American Apparel for nearly a decade. In her role, she worked closely with Dov and got to know him well. She told us that Dov has a way of manipulating people and while working for Dov, she often felt trapped—sometimes literally. Danielle described one time when she was working late at Dov's house. She wanted to go home for the night... but she told me... he wouldn't let her.

LISA: Did Dov lock the door? In terms of not letting you leave the house?

DANIELLE: Uh, he never locked his house doors in Los Angeles. But I think it's more like the persuasive side of it. It's more like holding you in a different way. It's more like... I don't know. Manipulation might be the word. Can you not go? Can you not leave? Can you stay with me? Is that okay? Um, I really feel like lonely right now. Can we just watch a movie? Can we just cuddle and hold hands? And you are uncomfortable at that point. You do want to go. Yeah no listen I'm really sorry I'm going now. No! Please! And then like there's the point when I'm going to start holding you.

LISA: To demonstrate how Dov would hold her to make her stay, Danielle reaches over and aggressively grabs producer Luke Malone around the wrist.

DANIELLE: No, please. Stay. I really want you to stay, does that make a difference? Like, I'm telling you now you have to stay. Please. Why do you have to go? Like, what is so important for you that you have to go? Really? Then go. Go. Go! And you're like, listen I really don't want to get in a fight with you. Can you just calm down for a minute. Alright then can you stay, is that okay? Please? And then like there's this whole like going on you. And you're like wait, like listen, I going to stay but can you not, like can you calm yourself for a minute. And the whole thing keeps going and by the time you realize, it's just like, you're already all over me. You now? So, like, does he really need to lock the door?

LISA: So he would do that?

DANIELLE: Yeah, absolutely, absolutely. But it's what I said, if you go back in his brain it's like, you really wanted to stay with me actually, don't you? Say that you want to stay. You want to stay, right? Say it, say it, say it. Say, I want to stay. So you're like uh... No! Say it. For us. I promise I'm not going to tell... Can you say I want to stay. Could you just agree with me. And say, say it, say it! And you're like... I want to stay. Very simple. So.

LUKE: I think what's even more insane about the idea of this happening all is that at the end of the day you're his employee. You know?

DANIELLE: Actually, you're not his employee, you're his friend. We're friends! Right? We all girlfriends at the end of the day, let's just play. I'm not your boss anymore, now I'm your girlfriend.

LISA: He would say I'm your girlfriend?

DANIELLE: Yeah. We're all girlfriends together. Let's play. Let's all play. Nobody cares. Nobody cares about jobs. Let's all play and be happy. Why do you have to go home for? This is so much fun here. Your mom is not here, your dad is not here. You don't even have a family. Come on. So, you're like, oh this is fun... you know? Maybe I should stay.

LISA: Danielle told us that she found it hard to challenge Dov. He had a temper, and sometimes that temper would spill over into violence.

She said the aggression would come out of nowhere and quickly escalate. There were the times he threw a shoe or a phone at her, barely missing her head, when he got annoyed. Or pushed her over when she tried to leave for the day. The most alarming story she told: during one argument, Dov got so mad he ripped her shirt.

She hadn't agreed to let us record yet when she told us this story. But when she met us, she showed us the shirt. It's a dark grey American Apparel boat-neck tee. It's ripped from the collar down the middle, so that it hangs completely open, like a vest.

After showing us the shirt, she agreed to let us start recording:

DANIELLE: Every time I looked at it, it creates this sort of strength inside of me, but also a lot of anger and also a bit of shame for not doing anything back then.

The shirt-ripping incident happened when Danielle and Dov got into a fight about a printer.

DANIELLE: Uh. We were in his kitchen. And I started saying that one of the main person at Graphics Department was not... Maybe I said he's not doing his job well. And it triggered something that he didn't agree. And maybe I said something back. And I said you know what? Okay great, I'm outta here. Why don't you work on your own. And when I said, "I'm out of here," that's when he grabbed me: You're not going anywhere. And I think the shirt peeled a little bit and I said, you're ripping my shirt. And he's like I can do whatever I want. I don't fucking give a fuck about that shirt. And then that's when you know like... And he kept on going. I'm like, please don't do that. And now, I started panicking about what was going. And I said, "Now I'm really outta here," and kept on saying that. Like I have to go. You're just ripping... like you just, like, you don't even know anymore what's happening. And you really want to go. I just remember now, my memory is just going back to remember that every time I said I'm leaving, it would be a moment that would trigger that desperation for always having somebody with him. Never being left alone. And that can trigger some scary something that gets him really nervous, tense. But I was not able to leave the house until he realized that I was completely calm and no longer crying and not in despair the way I was, and I remember going home and him, like, calling me all the way through it. And making sure I would go to sleep and not call anyone and not do anything. And as a pattern, every time he did something bad to me or any other girl, the day after would be nothing but just a lot of apology letters and words and sorry and down his knees. Can you forgive me? This will never happen again. I'm so sorry. I promise you, I promise you, we're going to be friends forever. Or like you know, American Apparel is a growing company. We're going to die working for this company. And, you know we're all going to grow older. Nobody's going to get married. We're all going to live around this company. We're all going to hold hands together and live forever.

LISA: After this happened, Danielle was shaken, but she didn't feel like she could just quit. American Apparel was sponsoring her work visa, and covering her car payments, insurance, and cell phone bill. She eventually started working for the company, outside of LA and away from Dov, helping to open new stores. She left American Apparel in 2010.

Danielle says she's gone to therapy to try and get over what happened to her. But it's clear that the memories sit close to the surface.

DANIELLE: A lot of times when I walked out of that office, I would drive on the streets of LA and watch the stickers placed on the back of LAPD cars that would say, there's no excuse to domestic violence. And every time that I read that, I almost want to stop that car and say, can you please help me? That's how I felt. That's exactly how I felt. Like,

helpless. Like, I felt like, you know, like, when you want to knock on the police door, you know that thing that's written on your bumper stick? It's happening to me. Fuck the fucking sexual harassment. Do you understand? How about the physical aggression? How about hiding behind and, like, oh my God, I'm so sorry, you're such a cute girl, I'm so sorry, oh my God. No, no. You did what you did. You hit me. You hit me on the face. You put a pillow on my face to suffocate my voice. You threw a cell phone at my face. You ripped off my shirt. You threw a pair of shoes at my face. You told me to shut up. You called me stupid. Go fuck yourself. You said those words to me. Irreparable. There is no money that can pay me back, you know, what I went through. The nights that I ended up crying. That my husband saw me crying. That my mother saw me crying. That I had to lie, that I had to go, no it's okay. You know, what happened? That's, that's that's serious shit. That's very serious shit. You know, how are you going to say that it was consensual? Prove that? Try that... You know. Try that.

LISA: We asked Dov about all of this, and he said he was in a romantic relationship with this employee, and that quote nobody's lovers quarrel is going to read well. He denies he ever physically abused her. But another employee we spoke with said he did see Dov get physical with Danielle, twice. On one occasion, he remember Dov coming at her in a rage and throwing a phone.

From the beginning of my reporting, I told Dov we would have to talk about the sexual harassment lawsuits and his romantic relationships with employees. And initially he said he'd talk about it at some point. For months, I tried to get Dov to agree to a taped interview. We discussed the issues many times off the record, but we always ended up in the same place. Dov saying his private life is private.

And then one day, late summer—this was before I talked to Danielle or Marissa—I pressed Dov about setting aside time to talk about the issue of sexual harassment... on the record.

DOV: I don't care. I'm not interested. You've already asked about it—it's not—it's it's a waste of my time. Unless someone is willing to stand up and prove it, it's over. It hasn't been proven. I've denied it. I've won cases that's it... I've won every case that's been litigated and I'm wasting my time talking to you about it because it's not, it doesn't, it's, it's you you are... your own questioning of it in... reinserts it into people's minds. That's how I feel about it. It's boring.

LISA: How about if I told you though that, you know, that people are that people are think—that people do think about it. How about if I told you, and have to trust me on this, because, like, I've talked to people...

DOV: I don't care about some small percentage of people who think about it. You you are more concerned about it because it's of interest to you as a media person to explore that uh sensitive dynamic but to me it's not interesting. And... and people are going brain dead to all that stuff. It's the manifestation of the internet age and clickbait. And there's... Peter Thiel had some great thoughts about it, you know, in connection to his

support of Hulk Hogan in Hulk Hogan's journey against Gawker. Is Gawker less popular today or more popular? It's less popular. People are bored of it. It's boring. It's a waste of my time. I don't have any regrets in term... I didn't... you know, I'm done with that. I was exploited. That's it. I'm a victim of that scenario. Nobody else. And no one has proven otherwise.

LISA: When you say you don't have any regrets, um—

DOV: I don't regret my humanity. No. I don't. And I believe that my private life is private and for me only. And I believe in privacy. And my personal life is not a subject of... should not be a subject of the media or should not be exploited. And at this point, I don't really care. I know I've led a good life. I've contributed to the City of Los Angeles. I was one of the, you know, I was one of the... I was an employer that made a huge difference in the lives of tens of thousands of people. That's been confirmed to me. In writing. Letter after letter. Several times a day, okay? I have to focus on running an amazing company. That's it—

LISA: Okay, one last question—

DOV: You can ask it every week again and I'll tell you again, I don't care anymore. So here I'm just going to say one thing off the record—

LISA: I have to stop the tape here because this part of the conversation is off the record. But it was here that things took an extremely disturbing turn. Dov became enraged in a way I have never experienced with another person.

We've asked Dov to allow us to play the off-the-record portion of this conversation for you. He has not agreed to let us air this tape. I can't give specific details but I can tell you that there's a lot more to this story than I ever thought when I first started reporting.

We'll get into that, on the next episode of StartUp.

-MUSIC-

A quick correction: On the previous episode of Startup, we said four women sued Dov in 2005 for sexual harassment and that those cases were settled out of court. It was actually three women who settled. The fourth woman asked a judge to dismiss her case.

StartUp is hosted by me, Lisa Chow. Our show is produced by Bruce Wallace, Luke Malone, Molly Messick, and Simone Polanen. Our Senior Producer is Kaitlin Roberts. We are edited by Alex Blumberg and Alexandra Johnes—who, by the way, had to duck out last week to do something very important. Give birth to her son. A big congratulations to her and her family.

Fact checking by Michelle Harris. Special thanks to Rachel Strom, Jina Moore, Phia Bennin, Gwen Lewicki, Chloe Prasinis, Stevie Lane, Sruthi Pinnamaneni, and Kalila Holt.

Mark Phillips wrote and performed our theme song. The new version of the theme song is by the absolutely stellar Bobby Lord. Build Buildings wrote and performed our special ad music.

Original music by the band, hotmoms.gov, which includes The Reverend John DeLore, Jordan Scannella, Sam Merrick, Isamu McGregor, and Curtis Brewer. Music direction by Matthew Boll.

Martin Peralta and Andrew Dunn mixed the episode.

To subscribe to the podcast, go to iTunes, or check out the Gimlet Media website: GimletMedia.com. You can follow us on Twitter @podcaststartup.

Thanks for listening. We'll see you next week.

Part 6: Anger

LISA: From Gimlet Media, this is Startup. I'm Lisa Chow.

If you've been listening to our series following Dov Charney as he launches his new startup, you know that last week's episode ended with a confrontation between me and Dov. It was late summer, we were sitting on a bench outside, and I was telling him that we would need to talk, on tape, about the sexual harassment lawsuits filed against him when he was CEO of American Apparel. The conversation started to get heated, and at that point, he went off the record and basically went into a rage. After it ended, he left. And my producer Kaitlin Roberts and I talked about what had just happened.

LISA: Oh my God. Well, I have never cried with anyone that I was reporting on. Like, I have been moved by people, by a story they were telling me. But I have... I don't think I have... well I definitely, like, no subject has ever made me cry because of how they were talking to me. Are you okay?

KAITLIN: I'm... I'm not you. I was just watching it.

LISA: What was it like to watch it?

KAITLIN: It was disturbing. It happened fast, and it was shocking.

LISA: Yeah. When he was taking his bottle and he was like twisting it.

KAITLIN: You were sitting on the bench—like, you couldn't move anywhere and he was right in front of you. It really felt scary.

LISA: Yeah. I think actually the crying was really the thing that really toned him down.

KAITLIN: How do you feel about Dov right now?

LISA: I don't know. It's so clear that he is in a lot of pain. And I know that, you know, it's totally inappropriate the way he is expressing that pain with us... How do you feel about Dov?

KAITLIN: I... think he has... some anger issues...

LISA: Coming into this story, I knew about the sexual harassment allegations against Dov. But I hadn't really heard about his anger... and I had never seen anger like that before.

One second Dov was talking in a normal tone. The next second he was shouting, and his voice was guttural and quavering. It was as if he was half-yelling and half-crying.

And I know this might be surprising, but my first reaction to the confrontation was guilt. Dov had lost American Apparel, the company he'd spent more than two decades building. And I was asking questions that were forcing him to look back at that. I knew I was poking at a very deep wound.

But how could I not. The startup he's building now was born out of losing his first startup—American Apparel. And Dov talks about losing his company constantly. When he meets with potential investors, or vendors, or customers.

Once we went along with Dov when he was pitching a screenprinter on some tshirts. And in that meeting, Dov looked the guy in the eye. And told his version of what happened at American Apparel.

He talks about it because it's on his mind and because he wants to get in front of whatever ideas people have about who he is and what kind of company he's building now. It's clearly part of what's driving him as he starts his new company.

And as a journalist and someone who has talked to other people about their versions of what went down at American Apparel, I needed to challenge Dov on certain points of his story.

When I did, his anger was extreme. And I wanted to understand his reaction better. Did this anger have something to do with Dov losing his company, or was it always part of him? So I started asking former employees: had they ever seen him get really, really mad? Had they ever seen him just lose it? It turned out that just about everyone had a story.

AMY: The temper, it's, it's unfiltered. It's raw. It's in your face. His voice trembles in your bones. You know, like, it's a voice that resonates really deeply with you and you don't understand why or how. It does. And it can be scary.

RYAN: On one level, it's so intense, you're worried that he might literally die. Like it's, it's animalistic. Like have a heart attack and die animalistic.

MARK: There were a couple of times that I remember, like, we'd be in a meeting or on a horrible phone call and I would walk out to the parking lot and get in my car and just sob for like five minutes.

LISA: Over the months I've spent reporting on Dov, I've dealt with his anger only a handful of times. But I learned that his employees experienced it a lot more than that. And during tense periods at the company, people were dealing with it daily.

I've interviewed a lot of people about Dov... people who hate him and people who dedicated their lives to working for him, and say they still adore him. And one thing they agree on is that Dov is a person of extremes. He's charismatic, driven, loyal—and all of that made him exciting to work for. But his anger was part of that mix, too.

Today on the show, we look at a period when Dov’s feelings about his company were extremely raw and intense. And we find out why Dov got fired from his position as CEO of American Apparel—according to the people who fired him and according to Dov.

A warning, this episode includes very strong language and some sexual content. So if you have kids around, I would advise listening another time.

When Dov was CEO of American Apparel, every week, on Tuesday, hundreds of retail employees around the world—whether they were in New York, or Seoul, or Mexico City, no matter the time zone—would dial into a conference call with Dov. It was a chance for him to connect with the employees who were closest to his customers, and who were also some of the youngest and least experienced in his workforce.

Dov used these calls to inspire people. He often told entry level sales clerks they could work their way up at American Apparel. That they could model, or manage stores, or travel to Europe and help improve the retail operation there.

Dov also used the calls to drive employees to work harder. One former American Apparel employee told us how it worked. He didn’t want us to identify him, so we’ve altered his voice and we’ll call him Mark. Mark said Dov would call on people at specific stores. Each store had a number, so New York’s stores went by NY1, NY2, NY3...

MARK: So, he’d be like “Okay, NY4, who’s the manager of that store? Are you on the call?” And they’d be like, unmute their phone like “Hi, Dov.” “Why did you sell only three lamé leggings yesterday? I don’t understand! How can you only sell three? You’re in Times Square!” “Well, it’s raining, Dov. No one wants to buy leggings when it’s raining.” He’d just called people out.

LISA: Mark says these retail conference calls were also a chance for Dov to talk about the business. He’d talk about sales numbers and hot styles, or how to merchandise clothes better. And Mark says the calls could be pretty entertaining because of who Dov was.

MARK: He’d say, “Oh you’re... this must be the stupid hour right now. Who are you? Who is this? Why are you so stupid?” But he was joking. He’d always like ... if he tore someone down, by the end he was, like, bringing someone back up in a nice way.

LISA: That was Dov’s management style. Tear someone down, bring them back up. But sometimes the tear downs could be so intense, there was no building back up afterwards.

Several former employees told us that when Dov thought something was going wrong at American Apparel, he would round people up and then he’d single someone out and unleash his anger.

During especially stressful periods, when a new project wasn’t going well, or the company was in financial turmoil, Dov was very prone to outbursts. A lot of times, these outbursts would

happen over the phone. He would call up an employee to yell at them, and then he'd add more and more people to the call.

We got a recording of one of those calls. One of the people who'd been added didn't actually pick up, and the call went to voicemail. You'll hear we've bleeped out a name in this tape.

DOV: Do it or take a salary decrease. Honorably. Do it. Don't give me bullshit. [BEEP] you fucking failed! You fuckbag. You couldn't do it. I know. I know you don't want to do it. But you know I got you. You know I got you. Don't fuck up my company. I won't fucking let you take it away. Okay? Today you told me, "I fucked up." Okay? So take it in the stomach, a kick! 'Cause you lied! You fucked up! You didn't do it. Failed!

LISA: Dov is yelling about a few delayed orders. On a scale of 1 to 10, with 10 being the worst anger ever witnessed from Dov, the employee who shared the voicemail said it was a 7.

Former employees told us many stories of Dov's anger. On one conference call, Dov said he wasn't going to fire an employee but torture her. Dov once threw a bottle of ibuprofen, striking an employee in the face. Another employee accused Dov of trying to strangle him in a fit of rage.

People say Dov has called employees losers, sluts, whores, fuckers, assholes, cunts, and Filipino pigs.

Many of these accounts are backed up by a court document—a declaration submitted by the chairman of the board after Dov's firing, which was found to be credible by a judge. Dov told us that, not knowing the context, he can't say whether he used some of those words. But he strongly denies calling his employees Filipino pigs.

And when former employees describe Dov's fits of anger, they describe him using images like: A cornered animal. The Hulk. Out of control. Utterly transformed.

So what did people do when this kind of thing happened, and why did they stay on and keep working for Dov?

A lot of people I've talked to said they got used to Dov's anger, and rationalized it. They processed it as the flipside of his passion. And if there's one thing that was clear to everyone at American Apparel, it's that the company was Dov's life.

This is what one former employee said when I asked him why *he* stayed. We're calling this guy David, and again, we've altered his voice.

DAVID: I can tell you a lot of people told me to quit, you know, my parents, my girlfriend, you know, etc, etc. But, I saw a lot of opportunity there, so, I can suck it up a little bit of it, in that regard, right? But then there's also sort of a narrative that everybody says, like, "Look, this is just what Dov does. He's insane. He yells at people." So you just don't take offense to it. You're gonna get yelled at. He's gonna tell you you're

a loser. There's really no clear directive there. There's no necessarily, like, way to operate in your role. Right, so you just accept it as part of the day to day, everybody gets yelled at, so who gives a shit sort of thing. You know?

LISA: The other employee, Mark, told us another reason he and other employees stayed. After Dov made you feel awful, he could come back the next day and make you feel special and brilliant and essential to the company. Mark found this out when he tried to quit one time ... because of all the verbal abuse he was receiving from Dov.

MARK: I sent him a text that said, "I need to talk to you privately." And I was going to say to him, I'm resigning, I was just ready to go. And he knew that's what I was going to say, because he knew how mad he'd been making me lately, and he called me immediately and was like a super gentleman, he was like, "What can I do for you? Are you okay? Are you—?" And he convinced me to stay!

LISA: And how did he convince you to stay?

MARK: You know, one of the things he's good at it, the reason that he's so successful is that he can be a complete charmer. He can make you feel like the world's best, most talented person, or the complete, you know, waste of pond scum, within the same day. He knows what he's doing, "I know I've been real hard on you, it's because I'm trying to help you grow, I'm trying to help the company get better." And I guess I just got charmed into staying.

LISA: I've experienced this from Dov myself. The calm after the storm, the charm, the sudden rationality. Of course I've never worked for Dov, and so the words are different. But after a heated exchange—typically brought on by my attempts to talk to Dov about the sexual harassment allegations made against him over the years—he'd come back and tell me he has deep respect for my profession, and thinks I'm doing a great job.

It's a strange experience to be yelled at, and then told you're a star.

Even the people closest to Dov could be targets. Like Amy Talebizadeh who dated Dov during her time at American Apparel.

AMY: It used to get to the point where Dov used to yell at me all the time. In the beginning I would cry. Like, I can't believe you said that. Oh god that was so harsh. That was so awful! And by the end of, like, toward the six years I remember I used to be on the phone with him as he was shouting at me. Yelling at me. And I would calmly write what he was really trying to tell me and I would never hear him yell at me anymore. It's just, oh that's what you're trying to say? Okay thank you. Bye. Often times when I needed information or help from Dov, you have to call him, you have to deal with him. He's not going to be in the best of moods all the time. But you gotta go in there like... like, get what you need to and get out. It's like ripping off the bandaid fast. But yeah, him yelling

at me wouldn't get to me anymore. It's just a person talking in a loud tone. And then you start to see, that was nothing. It's just Dov being Dov.

LISA: Dov knows he has a problem with anger, and he's actually pretty upfront about it. In fact we had a conversation about it before I'd ever seen this side of him. It was in an interview pretty early on, when I asked him about his weaknesses.

LISA: What do you think your handicap is?

DOV: Truthfully, I'm very passionate. I'm very reactionary. I get... I, I'm an extrovert, but I'm also an extrovert with my temper, I show my colors. You know, I'm impatient. That's good. I want to get it done right away. So there's a small scratch on a piece of furniture, and I want to just buff it out and I end up breaking the furniture, you understand? It's like... a few times when my phone didn't work and I wanted to call someone and tell them off, or somehow I couldn't get a hold of them. And hours went by, four, five, or eight hours went by. I found that when I was delayed by force, or by some act of God, that I actually did a better job in handling the situation, by delaying it, by delaying my reaction. So that's something I need to work on.

LISA: Dov's outbursts and his instinct to micromanage were especially on display in 2013—the year before Dov was fired—in a town 18 miles outside of LA. A place called La Mirada.

For many years before and after the company went public, American Apparel sorted, packed and shipped its clothes out of a building in downtown LA, right next to its factory. Several consulting firms concluded that for American Apparel to take its business to the next level, it had to cut distribution costs, which were well above the industry average. That meant investing in a new facility with more sophisticated technology. A place where distribution would be more automated, less manual.

Now by this point, American Apparel had survived the 2008 financial crisis and a 2009 immigration audit that decimated the company's workforce. And it weathered all of that by borrowing more and more money, at increasingly high interest rates. But by 2012, there were glimmers of hope. The company saw its first profitable quarter since 2009. And Dov and the company's senior management had just enough confidence to embark on a new project. That's how the La Mirada distribution center was born.

The transition to the new facility turned out to be a nightmare. There were lots of problems. Different software programs didn't communicate with each other, orders got messed up, arriving late or not at all. People who were there at the time said Dov was freaking out, and he thought he was the only person who could fix the problems. And so he decamped from American Apparel's corporate headquarters to the distribution center.

DOV: I slept at the distribution center one hundred days straight. I walked in, I said, "Build a shower over there." And so men came in and they built a shower that night. There was a faucet and they hitched up a jimmy rigged shower, put in a bed, and I never,

ever, ever left the facility for any reason. It was a mess. We had a million garments in mountains and we had to look at them and identify them visually and put them back in a box where they belonged. No board member came to check it out or really understood it. They had no idea.

KAITLIN: What was that like on your psyche being in there for a hundred days?

LISA: This is producer Kaitlin Roberts.

DOV: I'm a mercenary. It's like being in Vietnam. It's like Apocalypse Now. You know? It's like going upriver.

LISA: Everyone agreed that La Mirada was a nightmare. But two stories began to emerge about who was responsible for what happened there.

One is Dov's version of what happened. He says he saved the distribution center, and the company, from collapse.

With the automation systems not working right, Dov decided the only way to do things was to pull in a huge number of workers, people from all over, and get orders out manually. That was his focus. Getting things to customers. And he blames the problems on the company's CFO at the time.

Then there's the other version of what went down at La Mirada—and it paints Dov in a far less heroic light.

Employees we've talked to who worked at the La Mirada distribution center said Dov made the technology problems even harder to sort out and ultimately created more chaos.

DAVID: Oh, it was the worst experience of my life. It was awful, you just wonder if you're gonna break.

LISA: This is David

DAVID: You try to go home and it's like, no you're not allowed to go home. You've got to stay here. You've got to fix this. I'm gonna be here. It's not fair that I have to sleep here. Why are you leaving, and I'm going to stay here. You know, I couldn't leave for lunch, couldn't leave for breakfast, couldn't get a cup of coffee, couldn't sit down at your desk. And... You know that, along, along with, along with people just getting berated every day and people getting yelled at and people being, you know, screamed at until they cried, I mean, there's just a multitude of things that made it an unreal experience, you know. And then it would go from that to him like, riding around in a scooter, doing wheelies. And, you know, a truck hit a fire hydrant at one point, and he ran outside in his shirt and his pants, and like, stood in the water raining down on this fire hydrant, and people took pictures, and everybody was cheering. So you get these extreme highs, because he's crazy

and exciting and funny to be around and then you know, immediately it turns around to these extreme lows that, are you know, unfathomable depths. It's pretty crazy.

LISA: These two versions of the story—the one that makes Dov out to be the savior, and the one that paints him as more of an impassioned meddler, prioritizing short-term fixes over long-term solutions—are important.

Because, even though Dov couldn't have known it at the time, this was the beginning of the end for him.

The difficult transition to La Mirada cost American Apparel 15 million dollars. In 2013, the year the company transitioned to the La Mirada distribution center, American Apparel had a net loss of more than 100 million dollars. And for at least one board member, the problems there were the last straw. That board member was Robert Greene.

ROBERT: It was just like a petri dish of all of his flaws and mistakes. So that was, to me, the turning point.

How Dov lost the company he spent his life building—that's coming up after the break.

-BREAK-

LISA: Welcome back to StartUp.

For American Apparel's Board of Directors, the La Mirada distribution center was one problem in a long series of problems the company faced. American Apparel had warned a couple of times that it might have to declare bankruptcy. It had a lot of debt. And then there were all the sexual harassment allegations against Dov, which had done serious damage to the company's reputation. By early 2014 the board was questioning whether Dov should continue as CEO.

Allan Mayer, who doubted his own qualifications when Dov asked him to serve on American Apparel's board years earlier, was by this time the board's lead director.

ALLAN: We hadn't had a board meeting since October, and we were really concerned about what was going on and we weren't being properly informed. It was time to have a come to Jesus talk with Dov.

LISA: The story of how Dov finally came to be fired is the subject of a lot of dispute, and what follows comes mostly from the board's active members at the time of Dov's firing. Dov has a different version, one that's laid out in lawsuits he filed after his firing was final. We'll get into that a little later this episode.

The come to Jesus talk that Allan Mayer mentioned was a key moment. The board wanted to let Dov know they were doubting him. They wanted to pressure him to bring in experienced managers, people who really knew sales and HR and finance. So they came up with a list of

demands, and they decided that Allan and another board member, Robert Greene, would make the board's case to Dov. Here's Robert.

ROBERT: In February, Allen and I had a dinner with him in which we were trying to basically signal to him that we were really getting worried. We were trying to say, "Look you gotta do this, you gotta do that, you gotta hire people, you gotta stop the sexual stuff." And it had zero effect.

ALLAN: Dov was very agreeable. You know, and said yes, absolutely right, no I get it. And no, La Mirada, we're getting it all sorted out. Robert and I came away from that dinner not at all being reassured.

LISA: Dov denies that Allan and Robert talked to him about his personal life at this dinner.

Robert and Allan—who had defended Dov in the past—now believed the board might need to intervene. And then, not long after that, something else happened that really kicked them into gear. They found out about a development in a long-standing legal suit.

The suit had a complicated backstory. In 2011, five women came forward accusing Dov of sexual harassment, and in some cases, violent sexual assault. One of them was Marissa Wilson, who you heard from last episode. Another one of the women said Dov kept her in his apartment for hours, and forced her to perform sexual favors in order to keep her job.

Shortly after those suits were filed, a pretty shocking thing happened. Nude and partly-nude photos of four of the five women who had just sued Dov and American Apparel appeared online.

TONI: It was their precise names, um, pictures. Their, their photos—

LISA: This is Toni Jaramilla, an employment lawyer who represented several of the women.

She says there was something even more shocking. The photos were embedded in blogs that had been made to seem like the personal blogs of the women suing Dov.

TONI: It made them appear to be blogging about their employment at American Apparel, and saying that they were going to extort money from the company through a lawsuit, basically.

LISA: The blogs have been taken down, but we've seen what one of them looked like. There were short entries, written to seem like they were from the woman herself, bragging about finding a lawyer and concocting a scheme to get money. "I'm expecting my billions," one entry read.

In one of the photos on the blog, the woman is dancing with a friend. The friend isn't identifiable, but the woman's face is clear. She's turned toward the camera, and she's completely naked. Another photo shows her lying on top of a rumpled white sheet. In this one she's topless, wearing only underwear, and her legs are spread. She's biting one finger.

Some of the photos were private, taken after modeling shoots. Toni, the lawyer, says that when she saw the blogs, she had a pretty good idea of what was going on. This was retaliation.

All of the women who had filed suits had signed arbitration agreements as part of their work at American Apparel. Because of that, their cases—even the new claims they filed in response to the blogs—were funneled into a private legal process, because of that we can't know exactly how all of them unfolded. But we do know that eventually, on the issue of the blogs, the women prevailed.

TONI: The arbitrator looked at the information and evidence and concluded that the defendants were liable for the creation of these fake and false blogs that created significant harm to our clients.

LISA: An American Apparel employee—someone who many people told us had a long-term romantic relationship with Dov—was found liable. And the company was found vicariously liable for her actions.

According to an account that emerged in a court document later, after Dov was fired, it was this employee who created the blogs, and she did it with Dov's encouragement. The document quotes testimony in which Dov said he was proud of the employee, and said he didn't discipline her for the blogs because she, quote, "...made an effort to protect my honor. The word discipline is not in the realm. What's in the realm is a hug and a thank you." End quote.

That document we're pulling from, it's from that declaration by the chairman of the board. The one that I mentioned earlier that was found to be credible by a judge.

The woman who appeared in the photos dancing naked and lying on the bed was awarded more than 1.8 million dollars.

We've asked Dov about this. He says he never saw the blogs. But separately, he does acknowledge releasing private photos and email exchanges he had with some of the women who sued. He says a company lawyer advised him to do that to try and show that the relationships were consensual.

And in fact some of the information he released *did* raise questions. In texts and emails, the woman who said Dov held her in his apartment is shown asking for money and presents, and promising oral sex.

But Allan Mayer, says for him, learning more about the blogs was a turning point.

ALLAN: Dov had always maintained he had no knowledge and knew nothing about this website. And it turned out that while they couldn't prove that he had directed this employee to create this website. He did acknowledge that he knew about it in advance, and in fact he even said he thought it was a great idea. And you know, once we heard

that, we realized, you know, that alone should disqualify someone from being the CEO of a public company, the fact that they would think something like that was a good idea.

LISA: The board was ready to move against Dov, and it was the right time to do it. Dov had always been American Apparel's largest shareholder, but after the company sold stock to raise money early that year, he exercised far less control over the company.

But still, to get rid of Dov as CEO, the board would have to meet a high bar.

Dov had renegotiated his employment contract in 2012, and the new contract made it really hard to fire him. If he was fired without cause, he'd be entitled to a big payout. About five million dollars—not including stock benefits—a potentially crippling amount of money for a company with a chronic cash flow problem.

So the board would have to fire him with cause. And because of the way Dov's contract was written, that would be tough to do. If Dov pleaded guilty to a felony or if he was abusing drugs, they'd have a clear case. But basically anything short of that wasn't guaranteed. They'd have to gather all the evidence they could.

ALLAN: A number of us knew enough people at the company that we could start asking around, and, you know, compiling information in a more organized fashion. And it was, you know, it may sound like an obvious thing to do, and in some ways a relatively easy thing to do. But it's actually quite a big step for a board member to start calling employees at a company, going around management and asking questions like that.

LISA: We've talked to someone who's an expert on boards and corporate governance. And he agrees that investigating the CEO is a big step to take. Boards presume a relationship of transparency and honesty. Directors aren't meant to become detectives, digging up dirt on the CEO.

ALLAN: And it's, um, something that you have to do very delicately. And it has... we knew it had enormous implications. The best case is we would ask around and find that everything was fine. But the worst case was that we would ask around and find out that things were worse than we thought. Which is exactly what happened.

LISA: So when you say it's worse than you thought, what did you learn or discover that was worse than what you had thought?

ALLAN: That the problems were more systemic. That it wasn't a question of just a few unfortunate incidents. As far as he was concerned, there was no such thing as an inappropriate relationship. He did not view as what he was doing as harassing. He thought he was being romantic, and sexy, and attractive. He could not understand that a 45-year-old CEO sleeping with a 19-year-old sales clerk—that situation, no matter what the young woman might say to him, cannot possibly be a consensual relationship. That the power imbalance is so vast, that that's why we consider a relationship like that

inappropriate. And and he would argue very, you know, eloquently and at great length why that's not true and that's an outdated and, you know, uptight morality and... the kind of conversation that would be terrific if you were college sophomores and it was three in the morning. But when you are officers of a public company and you are talking about your own employees it's not quite so, um, philosophically flexible. So that part of Dov, I knew that there were bound to be issues that might be difficult for him to explain away, but, I don't think I was prepared for the scope.

LISA: In the spring of 2014, the board was aware of a number of sexual relationships between Dov and American Apparel employees. But ultimately, many more would come out.

ALLAN: In the end, what we discovered is there were dozens, and dozens, and dozens of women he was had been involved with at the company.

LISA: According to the declaration filed after Dov's firing there was graphic evidence of many of Dov's sexual interactions—photos and videos stored on the company server. They were of Dov receiving oral sex from multiple young women who modeled for the company, and performing other sex acts with company employees. At least one of the encounters appeared to have taken place in Dov's office. There were also graphic texts and emails.

In the weeks leading up to the firing, the board moved quietly, behind Dov's back. Again, Robert Greene.

ROBERT: We had to be very careful and keep everything under wraps. We had legal counsel who was uncovering more things about the sexual harassment suits that we weren't getting. We had to be very secretive. We were having a lot of board meetings, phone calls, that he was not gonna know about.

LISA: In its termination letter to Dov, the board accuses him of using company money to pay for things like personal legal expenses and property rentals. It also says he gave big severance packages to employees without the board's approval, to protect himself from getting sued. Dov denies these allegations.

Robert says the board hoped the information they gathered gave them a case for firing Dov. But they were never totally sure.

ROBERT: In fact, to this day, we don't really even know whether we did have a legitimate case for firing Dov with cause. We came to the conclusion that we did, but the lawyer said, you know, "It's not cut and dry."

LISA: The board of directors decided they would confront Dov at the company's annual meeting in June. Allan says he and the other board members felt they needed to be together for the conversation, all in the same room. And the annual meeting was the next time that would happen.

It was in New York, and the night before, the members of the board and the lawyer they'd hired all made their way to a restaurant in Manhattan.

ROBERT: It was at I think a Chinese restaurant, or a fish restaurant. It was midtown, like on the second floor, like in a private room.

ALLAN: It was this restaurant, not a very good restaurant that we picked partly because we wanted to be in a place where we knew we wouldn't be recognized.

ROBERT: You know we were tense, we were nervous because um, we were going, we were heading into the lion's den and the gate was gonna close behind us.

ALLAN: None of us were looking forward to it in the sense that everybody, I think, appreciated that Dov had put his heart and soul into the company. And the fact that it might wind up that we would have to take it away from him was not something that anyone looked forward to or relished. And I think we were all hoping against hope that we wouldn't have to do that.

LISA: They talked through the plans for the next day. They would present Dov with two options: he could accept a severance package, resign as CEO, sign over his voting rights, and stay on at the company as a highly paid creative consultant, or they would suspend him for a month, then fire him with cause. They had two press releases waiting.

The next day came. It began with a meeting with company shareholders, in a fluorescent-lit room at the offices of a law firm that represented the company. There weren't that many investors there, maybe 10 or 15, according to an investor who did go that day. He says he remembers it feeling sort of strange and solemn.

After that, it was time for Dov to sit down with the board. The meeting was down the hall from where the shareholder meeting had taken place. By the time Dov arrived, all the directors were assembled, seated around a table, waiting for him.

ALLAN: As the lead director, I was delegated to sort of deliver the message to Dov. And he clearly had no clue that we had any concerns about anything. And—

LISA: How could you tell?

ALLAN: Well, because he was in a very chipper, upbeat mood. He wanted to, he often brought new products that he wanted to show us, and there were some sneakers or something that he wanted to introduce to the stores, and he wanted to start showing us, telling us all about the sneaker. And so I cut him off, and I said, "Look, there's something we need to talk to you about before we conduct any more business." And he sort of pulled up short, and he had no idea, clearly, what I was going to say. And what I told him was that the board, the independent directors had some serious concerns about, uh, his behavior, and we needed to talk it out with him, because we felt that the situation as it

stood was untenable. And he thought, we were acting because we were unhappy with the numbers. And he was fixated on that, he kept trying to say "Well no, what are you talking about? Everything's fine, yes I know we're a little below but we're going to come back, everything's going to be great." And I kept saying, "No, no, that's not what this is about."

LISA: Dov was totally caught off guard. He remembers the board saying, "Look, here's what's happening."

DOV: We're going to fire you with cause and it's going to be a huge ordeal. It's going to be a public firing. And here's a bad press release. Or, here's a good press release saying that you've been a wonderful, wonderful contributor to this wonderful company and we look forward to you staying on with the company as a creative consultant. Okay? Oh, you also have to—one little hitch—you have to sign a support agreement which allows us to vote your shares in future elections. So you no longer... you have the economic power of your shares. But you don't have the voting power on your shares. And naturally, I couldn't sign that.

LISA: Allan Mayer says the board laid out their problems; told Dov all the reasons why they were concerned.

ALLAN: We had agreed that we would give Dov as much opportunity to talk on his own behalf as he wanted, because, you know, he had put his life into this company, and that was the least we could do for him under the circumstances. And we laid out all of the issues, and all of the concerns... and, he argued vehemently that this was nonsense, that he never sexually harassed anyone. And, you know we said "No, that's clearly not the case." And we talked about finding an appropriate role for him. And he wouldn't register that.

LISA: Sometime early on in the meeting, one of Dov's long-time creative directors Iris Alonzo showed up. Iris had started as Dov's assistant when she was 24. She says she was supposed to arrive earlier, for the shareholder's meeting, but she was running late and she missed it.

IRIS: I just popped in to let Dov know that I was there and I waved to everybody and I said hi. And they were like, shut the door, you can't be in here and I was like, "God! God, jeez guys!" And it's like, "Hi, hello to you too." They've even let me sit in on board meetings, like, it wasn't a big deal. But this time it's like everybody was all uptight, it was really crazy. So I just went outside in the hallway, I was sending emails, making calls. And then I get a text from Dov saying, "Stay close, emergency."

LISA: Eventually Dov came out into the hallway and motioned for Iris to follow him to an empty room.

IRIS: And I follow him down the hallway, I'm like chasing after him and he shuts the door and he's like, "They just fired me. They just fired me." And I'm like, "What are you talking about, they just fired you?" And he's like, "They're trying to fuckin' fire me!" And

I was like, "What are you talking about? What do you mean fire you, that's crazy." And he's like, "No, I swear to god." And then he, uh, he made some phone calls. I think he first called his mother or his dad. And everyone's just like "What? What?" And... And then it was like, okay. We're sitting in this room alone and it's like, "What are we gonna do?"

LISA: Dov goes back down the hall to talk to the board again. He comes back and confirms to Iris. They're serious about firing him. Iris says that at this point they started making a lot more phone calls.

She says everyone they talked to was completely stunned. What was happening? How could the company run without Dov?

IRIS: Those guys in suits sitting in that office down the hallway have spent cumulatively, maybe what, two hours in the factory in their entire lives and they're so cavalier that they're just gonna fire Dov just because... I don't know why, but they're gonna fire Dov and they're gonna replace him? So, I was like, "I'm gonna go talk to them." So I went into the room and they're sitting around this table laughing. One of them's leaning back throwing almonds into his mouth the other one's eating, he's like, "Ooh, more chocolate chip cookies?" And I'm just like, you gotta be fucking kidding me. You're... this is somebody who has been building this company, for the better part of 30 years and you're in here throwing fucking almonds into your mouth. Like, you pricks. It was like, and I just went off on them. It was like, what's gonna happen? You're just gonna replace him tomorrow? You got some guy in a suit that's gonna come in and run American Apparel? It doesn't work like that! It's not that kind of company.

LISA: According to Allan Mayer, Iris never actually came into the room. He says he left the room to talk to her. But Iris says she told the board: you're going to destroy the biggest factory in America.

Whatever hope the board had of persuading Dov to stay on in a reduced role, Allan Mayer says it pretty much vanished. The meeting was off the rails.

ALLAN: Became apparent that this wasn't going to go anywhere, that he was not going to engage in any of the issues that we wanted to discuss. And he kept saying the same things over and over again it was this circular thing, and he was sitting there with this jar of instant coffee which he would pour into water and would just—I mean, he was so wired...

ROBERT: He had this plastic container of water and a little bottle of Nescafe instant coffee, and through the whole meeting, hour after hour he was taking teaspoons of Nescafe and putting it in his glass, in that bottle of water and drink—guzzling it, more Nescafe, more—and then he would start, like, eating the Nescafe straight. I was like whoa! What is... that is... something's not right there.

The hours passed, and evening came. The board knew that at some point, before the markets opened the next morning, they'd have to put out an announcement. So they gave Dov a deadline.

ALLAN: We finally said to him at some point late in the evening—look, we've got to call an end to this. And it was around nine in the evening, and we didn't hear from him, and we actually gave him some extra time, and we attempted to reach out to him, and didn't connect, and we decided: "Okay, he's made his decision." And so, uh, we pulled the trigger, metaphorically, and issued the announcement that he was suspended and no longer chairman.

LISA: Robert Greene, the board member who was probably most like a friend to Dov, remembers the feeling he had as he and the other board members finally left the building that night.

ROBERT: I felt justified this was the right thing to do, but I also felt quite guilty.

LISA: Can you explain a little bit more, when you say guilty, what do you mean by that?

ROBERT: It's like you know, you're pushing your mother in a wheelchair over a cliff. You know, like. It's an old friend who spent his whole life building a company. He's befriended you, he's been very generous with you, he's been very open with you. And you're essentially firing him. And it came down to Allan and I. If Allan and I had said, 'no, we don't want to fire you.' We could have stopped it. So it was like, you know I'm kinda the one who coulda stopped this and I didn't. As I said, there was a mix, on the one hand I felt justified—a cause, he has to go, mismanaged, fucked up. On the other hand, you know, close friend, I don't know anything analogous to that.

LISA: That long day was hardly the end of it. For the next week, Dov holed up at an apartment in Hell's Kitchen, barely sleeping, strategizing about how to get the company back. Iris Alonzo was there, too. She remembers Dov calling the company's largest shareholders, rounding up support, trying to persuade them to partner with him. But then one of the company's biggest shareholders did not come through.

In the days following his firing, Dov also talked with a couple guys from a New York-based hedge fund called Standard General. They said they wanted to help him, and they worked out a deal. They would quietly buy up 20 million dollars worth of American Apparel stock for Dov. His collateral for the loan would be his existing stock plus the new shares. And Dov and Standard General would have to come to an agreement before voting those shares. Iris says Dov had a lawyer reviewing the paperwork for him, but at the very last minute the lawyer bailed. So after barely sleeping for days, Dov wound up going over it himself.

IRIS: He's in their conference room and he has the last draft that they gave him and he's supposed to be like reading it I guess, proofing it before he signs it. And he just, like, lays down on the floor and like falls asleep. I walk in and he's laying on the floor on top of this contract that's worth 20 million dollars and control of his company and he's got no

one. He's got no one! And I'm like... He can't sign this! They're like fine. Walk out and see if you can go find somebody else. Go ahead, walk out and see if you can find someone else who's gonna give this guy 20 million dollars. Look at him!

LISA: Dov says Standard General promised to reinstate him as CEO of American Apparel—a claim the hedge fund denies. In fact, instead of putting him back in control of the company he founded, the deal with Standard General ultimately resulted in Dov losing everything.

Here's how that happened. Standard General bought up stock for Dov, like it said it would. But when American Apparel found out, it resisted the hedge fund's takeover and convinced Standard General to start talking to them.

This kicked off months of uncertainty at American Apparel. There was an investigation into the board's claims against Dov, and for a while Dov thought he had a chance of returning as CEO. Dov now says that investigation was bogus, and that its purpose from the outset was to bury him. Six months after he was ousted by the board, Dov was let go from the company once and for all.

Less than a year later, American Apparel declared bankruptcy. And when it came out of bankruptcy, its shareholders were wiped out, including Dov. He no longer owns any part of the company he founded. American Apparel is now a private company controlled by its bondholders—including Standard General.

As I mentioned earlier, Dov's version of all of this is wildly different from the one we've heard from former directors. The way he sees it, he started a business. It was stolen from him. And now he has to start over and build it from scratch. And the company he's building now, it looks a lot like the old company. Just like the last time, he's making clothes in Los Angeles. He's trying to reinvent the basic t-shirt. He's hiring many of the same garment workers and employees.

Even the name of his new company is strikingly similar to American Apparel. He's telling customers his new business is called Los Angeles Apparel.

But Dov doesn't want his new company to end the same way as his old company. And the story of how he lost American Apparel is something Dov talks about all the time.

DOV: This is a hijacking. They hijacked... they hijacked my company. It was a corporate raid. This was a highly sophisticated transfer of wealth from Main Street... Main Street shareholders, Main Street workers. Main Street vendors, okay? A mainstreet entrepreneur. To Wall Street hedge funds, their law firms, and their advisors.

LISA: Dov's account of what happened is most clearly laid out in a lawsuit he filed in June of last year. The suit is against a hedge fund, Standard General, as well as American Apparel, the board members who ousted Dov, including Allan Mayer and Robert Greene, and American Apparel's CFO at the time of Dov's firing, a man named John Luttrell.

The lawsuit alleges a complicated conspiracy between Luttrell, the board members, and the hedge fund. According to the suit, Luttrell and some of the directors wanted to sell the company. And step one toward doing that was conspiring to reduce Dov's ownership stake in American Apparel, making him vulnerable.

At the beginning of 2014, the year Dov was fired, Dov owned 43 percent of American Apparel's shares. It was enough that if the board wanted to move against him, he could easily go out and get enough votes to overrule the board. Basically, he controlled the company.

But just three months before Dov was fired, American Apparel decided to raise money by issuing stock, as I mentioned earlier, and this diluted Dov's ownership to just 27 percent.

Dov claims that he agreed to being diluted on the condition that he would be given a chance to recapture his shares. He also claims he talked to board member Allan Mayer about it, and Allan agreed to his terms—something Allan denies.

Another main contention in the lawsuit has to do with a statement that was filed ahead of the company's annual meeting. It's what's called a proxy statement, and it's meant to allow public company shareholders to make informed decisions when they vote.

In 2014, when Dov was fired, the proxy statement included language praising Dov. The board gave no indication that they had any doubts about Dov's leadership.

At the annual meeting, shareholders re-elected three directors—Allan Mayer, Robert Greene, and another board member named David Danziger. Dov was still the company's largest shareholder, and he voted to keep the directors on the board. This is a story Dov repeats often when talking to people about how he lost American Apparel.

DOV: They put out—they put out a proxy for the annual meeting where you vote for board members and said, "We think Dov should be the CEO and the Chairman and we trust his judgment." I then voted for these three guys thinking they supported me, because that's what the disclosure said, right? And within 20 minutes they fired me.

LISA: When I hear Dov's side of the story, this is the part where his outrage makes sense to me. To him, the board betrayed him.

And it was not only Dov who was outraged by the board's move. We've talked to an investor who held a lot of American Apparel stock at the time of Dov's firing. He didn't want to talk on tape, but he told us that he was really unhappy about the board's move. The board was supposed to represent shareholders' interests. But this shareholder said he wanted Dov to run the company. And if he'd known what the board planned to do, he wouldn't have voted for them.

I raised all of this with Allan Mayer.

ALLAN: I understand the concern that has been raised about the proxy statement. And there is a very simple reason for why it was done that way. At the time the board approved it, we had no reason to think Dov was going anywhere. And even going into the meeting, we did not go into the meeting with anything approaching certainty that we would fire him or suspend him. So the question is we should have been more forthcoming with investors, what would we have said? Because we hadn't come to any decisions. There was nothing to disclose ahead of the meeting because no conclusions had been come to, we didn't know what was going to happen. As soon as we had something to disclose we disclosed it.

LISA: This dispute between Dov and the board is still not resolved. And other lawsuits have come out of Dov's firing: Dov has another suit against a board member. Standard General is suing Dov. Dov is suing one of his lawyers. After Dov's firing, the Securities and Exchange Commission also opened an investigation. It could be a long time before this all gets untangled.

But some things are clear. Like the fact that American Apparel is in shambles. The company declared bankruptcy for a second time last month. Its manufacturing operations and headquarters are being sold off. And the company has told nearly 3,500 workers in California that they could lose their jobs early next year.

Looking back at it all, board member Robert Greene sees mistakes. He thinks maybe Dov never should have taken American Apparel public in the first place. He thinks running a public company put a lot of pressure on Dov and changed him in some ways. Exacerbated his bad qualities.

Robert says part of him wishes the board had been able to let Dov stay on as CEO. He says it might have been better than taking all the steps they did, only to have the company struggle.

ROBERT: In the end, it probably would've been better just to let Dov sail the ship into the iceberg.

LISA: Are you saying that it would've been better to just not fire Dov?

ROBERT: Well, you have the sexual harassment stuff. So, once you learned what we learned, etc. It was our duty as board members. So I don't regret that. But in a kind of parallel universe, or in another world, if those pressures weren't on, it would've been better just to let Dov sail the Titanic into the iceberg. It's his baby, he created it, he... he's the genius behind it. To let him destroy it—then he wouldn't have any excuses. Now he has the people like me who turned against, who betrayed him. And he's not gonna learn—hopefully he will—but he may not learn the lesson because he has other people to blame.

LISA: After losing the company he spent his life building, what lessons *has* Dov learned? How differently is he doing things as he gets his new business off the ground?

We'll get into those questions in our final episode of this season.

That's coming up next week on StartUp.

StartUp is hosted by me, Lisa Chow. Our show is produced by Bruce Wallace, Luke Malone, Molly Messick, and Simone Polanen. Our Senior Producer is Kaitlin Roberts. We are edited by Alex Blumberg and Alexandra Johnes.

Fact checking by Michelle Harris. Special thanks to Rachel Strom, Caitlin Kenney, and Christine Driscoll.

Mark Phillips wrote and performed our theme song. The new version of the theme song is by the masterful Bobby Lord. Build Buildings wrote and performed our special ad music.

Original music by the band, Hot Moms Dot Gov, which includes The Reverend John DeLore, Jordan Scannella, Sam Merrick, Isamu McGregor, and Curtis Brewer. Additional music by Tyler Strickland and Salt Cinema. Music direction by Matthew Boll.

Andrew Dunn and Martin Peralta mixed the episode.

To subscribe to the podcast, go to iTunes, or check out the Gimlet Media website: GimletMedia.com. You can follow us on Twitter @podcaststartup.

Thanks for listening. We'll see you next week.

Part 7: MAGIC

LISA: Hello. From Gimlet, this is StartUp. I'm Lisa Chow.

This is the final episode of the season, the final chapter in our series on Dov Charney. And I'm gonna start this episode where our story began. Sitting in the car with Dov.

But before we go anywhere, a quick warning, there's some swearing in this episode, and that swearing, it happens now.

DOV: Oh fuck, I have to drink some more coffee

LISA: Dov's been up since four this morning. He's going out to get some stuff done for his new business, Los Angeles Apparel -- but before we hit the road, he has to make himself a cup of instant coffee.

DOV: If I don't have enough caffeine, it could be very serious, I have a severe Nescafé addiction, but I—

LISA: Dov reaches for a bottle of lukewarm water on the floor of the backseat

Dov: Is there any water left in here?

LISA: He pours it into a cup and mixes it with nescafe. Not heated up or anything.

LISA: Have you always been a Nescafé drinker?

DOV: No, I wasn't even drinking coffee until I got to LA, you know, my friend was buying coffee in the morning at Starbucks and then I said, "This is a waste of time, standing around in line? What am I really here for?" It's the caffeine, son.

LISA: This tape is from my first trip to Los Angeles... One of the first conversations I had with Dov. And it's weird listening back to it now -- because my relationship with him has changed so much since then.

After the confrontation I had with Dov -- the one that was off the record -- my communication with him was much less frequent. We had a few interviews on tape after that, but I wasn't following him at the factory or seeing him meet with vendors the way I had been.

Coming into this story, I wanted to find out what Dov had learned from his time at American Apparel. What lessons he would apply to building his new company. I quickly realized that Dov was eager to talk about the past, so long as I didn't challenge his narrative about what happened.

But there's no question that what happened at American Apparel *is* Dov's legacy. And in his new venture, people will be joining him despite—or because of that legacy.

Today on the show, we're going to talk to people who are backing Dov—a position they never thought they'd be in.

We'll also meet a group of people we have not heard from all season, people who have a very big hand in whether Dov can pull off his new business.

Recently, I talked with a guy named Keith Fink. Keith has a long history with Dov.

KEITH: I mean, if I told you the truth of how crazy our relationship was for 10 years—do you know they built websites against me?

LISA: Yes, I heard about that.

KEITH: I was really public enemy number one with the company. They hated me!

LISA: Keith says starting in 2005, he represented several people suing Dov and American Apparel. One of his clients was an employee who accused Dov of using foul language and crude gestures, and holding business meetings in his underwear. The case ultimately settled.

KEITH: There's certain things that shouldn't be said in a workplace. You have to wear clothes in the workplace. Virtually everything the company did back then was a wrong employment practice, a poor employment practice with respect to making sure the workplace was free from any type of harassment.

LISA: Keith aggressively advocated for his clients. And the company retaliated by going after Keith.

KEITH: And it got to be so contentious on the company thought of me uh as public enemy number one. That I was cyber attacked. Uh and there was articles in the New York Post I mean the company uh went to the effort to build websites against me like, uh, American Apparel against Keith Fink, you know or whatever keithfinksucks dot com you know hosted by American Apparel.

LISA: What did you do? What was your response to that?

KEITH: I guess most lawyers, most lawyers probably wouldn't have slept. Uh yea some of my friends thought I should be worried about my own physical safety.

LISA: Wow. Were you worried?

KEITH FINK: Yeah I was, yeah. I was, yeah.

LISA: You were?

KEITH FINK: It's bizarre. Well, I didn't know how would I know yes someone could pay somebody I guess 100,000 dollars in brooklyn to break my legs. You know you read about some lawyers get shot so yeah you know I didn't uh that I took seriously.

LISA: Fear and intimidation were just part of the package. According to one of Dov's favorite books, *The 48 Laws of Power*, to really take down someone like Keith, Dov would have to dismantle Keith's reputation. That's part of law number 5: "learn to destroy your enemies by opening holes in their reputations. Then stand aside and let public opinion hang them." At the time Keith was litigating against Dov, Keith was also teaching at UCLA, his alma mater.

KEITH: The thing that I love the most is my students, my teaching, and UCLA. And the day that I was teaching—because they knew everything about me—they took out an advertisement in the Daily Bruin, which is UCLA's student newspaper. To try to get me fired from UCLA.

LISA: I've seen the ad against Keith. It's a large photo of him with the headline "Meet Keith."

RYAN: I used to have it framed over my over my desk. Let me see if I can pull it up really fast.

LISA: That's Ryan Holiday, who was director of marketing at American Apparel. Ryan reported to Dov, and he created the ad in the Daily Bruin attacking Keith Fink. The ad goes on for paragraphs, smearing Keith's character and career.

LISA: When Keith was suing Dov, did you feel that Dov, I mean, did Dov have a lot of anger towards Keith?

RYAN: Oh yeah. I mean, his position then was that this person was trying to ruin him and by extension threaten all of us at the company.

LISA: Keith Fink kept his job at UCLA. His career in law was not destroyed. No guy in Brooklyn ever broke his legs. But this was still a very trying time for Keith, which makes what happened next especially surprising.

Several years later, Keith was traveling in Asia when he got a call.

KEITH: And my office told me you got an interesting call. Dov Charney called.

LISA: Dov was legendary in Keith's office. When they got the call from Dov, they alerted Keith right away. And he took the call.

KEITH: Came back maybe a month or a month after and I told my office that I had interesting news for them my partner Sarah uh who fought these cases with me she said, don't tell me you took him as a client. She was not happy.

LISA: Yes... Keith *had* decided to take Dov on as a client. He's advising Dov on his new business and representing him in many of the lawsuits that resulted from the fallout of his firing.

When Keith first signed on to work with Dov, everyone in his life told him he was crazy.

They couldn't understand why Keith would defend a guy who had personally attacked his career and reputation. How could Keith want anything to do with someone who had once made him worry about his physical safety?

But Keith saw it differently.

KEITH: They had a high opinion of me as a lawyer. It's not the first time that somebody that, uh, been against in a case has hired me. That's probably the most flattering thing that a lawyer can get, is to have a client that you were against then hire you. So I knew why he called me is, he thought I was a good lawyer. He wasn't calling me to you know go have a cup of coffee.

LISA: I guess the thing that befuddles me is just that you know when you're public enemy number one of someone like Dov, the fact that you could be friends with someone who—

KEITH: Because I don't fault him for it. As I've said, you push somebody, they're gonna push back. Okay, maybe they pushed back more than they should push back right if you wanna say there's certain lines, but I don't hold grudges no animosity I say I'm a big boy. I don't worry about the past. I think he's a good guy. I think he's gonna be a good client and we can help them. And the irony... and so I think the funniest thing now is, two and a half years later, if you ask my entire office they will say their favorite client, or one of their most favorite clients, is Dov Charney.

LISA: You said your office feels a lot of affection for Dov. In... at the moment people thought you were crazy.

KEITH: Well, yeah, look—my parents still do my friends think I'm... that it's nuts, uh, and actually, Dov's mother asked me why I had anything to do with Dov. So maybe a year and a half ago, I remember that she says I wanna talk, I wanna talk to you. She really was on my case, uh, why do you wanna have anything to do with my son? I forget her exact words. She's a very nice lady. So, yes I can see you know it doesn't make much sense to, uh, to a rational outside person why the two of us would be together.

LISA: Yeah, it doesn't make sense. When I pressed Keith more, he told me he respects Dov. That it's fascinating to be part of Dov's world. And at the end of the day, he's a hired gun.

Keith is an extreme version of a phenomenon I've encountered many times reporting this story. Someone who after seeing or experiencing Dov's worst behavior, decides to work with him.

I've talked with people who have seen Dov be vindictive or verbally abusive... people who knew about his many sexual relationships with employees and how he managed his business. But when Dov asked them to come help with the new business, they answered the call.

CHAD: I've been following Dov for a while.

LISA: Recently I spoke with a guy named Chad Hagan. Chad runs an investment firm. He first took an interest in Dov back in 2009 when American Apparel was struggling and the company was taking out high interest loans.

CHAD: And we made some jokes to the point that hey, let's go ahead and get in touch with these guys, because, you know, we're fine loaning money to them if they're taking it at 15%.

LISA: And why do you think the company, as early as 2009, was in this situation where they were borrowing money at such high interest rates?

CHAD: Well. I believe that... it was mismanaged.

LISA: What, what, what exactly?

CHAD: The entire company.

LISA: Back then, Chad shorted American Apparel's stock, and his bet paid off. As the stock plummeted, Chad made money.

After betting against Dov, Chad is now investing in Dov's new business. Which was baffling to me.

I asked Chad many times, why are you investing in someone who you say mismanaged a company—a company that, after he left, went into double bankruptcy.

Chad says he doesn't blame Dov for the problems at American Apparel. He says Dov did not have good support at the senior level, that American Apparel grew too fast, that it moved away from offering basics into fast fashion... and that you can't blame all of that on Dov.

LISA: But when I push Chad, I realize that one of the main reasons he's investing in Dov is that the troubles at American Apparel are actually good for Dov now.

CHAD: American Apparel always had a significant wholesale business. So, with American Apparel in dire straights, and everything falling apart, Dov will continue to grab that wholesale business. And I see him ultimately being very successful with that.

LISA: Chad thinks that within five years, Dov's new company will be doing 100 million dollars in sales. And he believes in Dov, in spite of his controversial past.

Chad says the first time he met Dov, they talked about the sexual harassment lawsuits.

CHAD: He actually brought it up he was like, listen I have a, you know, I'm an open book about this. Ask me whatever you wanna ask me. I mean, I've been in situations before where there's been entrepreneurs sleeping with employees. It's not a good situation, but Dov's lifestyle also really you know. Being somewhat of an open lifestyle, and I don't know what it is now, I don't want to get him in trouble if he has a serious girlfriend or something. But definitely had a lot of different girlfriends. And he was communicating with these different girlfriends and some of them were getting mad at the other ones and stuff like that. It was like this harem that exploded on him kind of. But we looked at all the accusations and everything else. And we did... we felt fine working with Dov.

LISA: So tell me, what exactly in that conversation though made you feel comfortable moving forward?

CHAD: Dov... Dov... he... I guess he admitted fault to a level that we were... he... there was... it wasn't... there was remorse for the situation. I could feel remorse for the situation. The situations. It wasn't like we were talking to some psychopath who does this all the time.

LISA: Okay. So you felt that there was some ownership. Some sense of responsibility there.

CHAD: Yes. Yes.

LISA: Hm. Interesting.

CHAD: And... not ownership in the sense that, like, you know, Dov admitted to behavior in the sense of kind of being really, really... I don't know... friendly with a lot of people in situations that you know, stuff that could be easily misconstrued and looked at as inappropriate. That's what he owned up to. Shouldn't have done that stuff.

LISA: Okay, shouldn't have done meanin,g shouldn't have slept with employees? Or shouldn't have sexually harassed anyone?

CHAD: Yeah, I don't—

LISA: He didn't go that far. He didn't go that far.

CHAD: Yeah. Yeah.

LISA: In terms of the women who sued for sexual harassment, I mean what did you make of their claims?

CHAD: You know, that's all kind of fuzzy. I have to look back on that. I do know that there was a lot of money spent on settling lawsuits.

LISA: Right. Does that worry you now, in terms of investing in the new company?

CHAD: No, it doesn't worry me now. I don't think it'll hap—I know that that activity, that behavior won't happen. Dov's without a doubt learned his lesson.

LISA: If you found out that he hadn't learned his lesson, what would you do?

CHAD: We couldn't be associated with his venture. It would be too... from a PR perspective, we couldn't even be near him. I have to fall back on the faith that I have in the sense that Dov want's money versus being just really famous and a bunch of girlfriends. Maybe he doesn't. Maybe he just wants it all over again. You know? I don't really know but. I'd like to think that you know he's going to go another away.

LISA: We've talked with many people, like Chad, who are falling back on faith. Hoping that all of Dov's good qualities will outshine his flaws. And that things will work out differently this time.

But there's one group of people we haven't talked to yet this season. A group that will determine whether Dov can pull off this new business: Dov's potential customers. In the time we've spent with Dov, we've seen him begin to pitch customers, get regular orders.

But he's going to need a lot more customers than he has now if he wants to grow his new business to the size someone like Chad wants it to be. Or what his employees want it to be.

Recently, Dov went to a place with lots of potential customers. It's a magic place. Literally, that's what it's called: MAGIC, the biggest trade show in the apparel industry. Held twice a year in Las Vegas. We went to MAGIC with Dov to find out what his customers think of his legacy and how successful his *new* business might be.

So, stick around. After the break, we'll meet you in Las Vegas.

-BREAK-

LISA: Welcome back to StartUp. And welcome to Las Vegas.

Here at a hotel casino, the Magic Tradeshow sprawls across different floors, in these big open conference rooms pulsing with music.

When I meet Dov, he's wearing a t-shirt and sneakers, and carrying a blue gym bag over his shoulder. It's loaded with t-shirts.

Dov hasn't been to Magic since he lost American Apparel. This is the first time he'll be telling lots of people in his industry about his new business.

DOV: I used to go out there staff of thirty. I used to bring a school bus of people, like several vans. Now it's just me on a broken bicycle.

LISA: This is the same tradeshow Dov attended when he first started American Apparel. Back then, he was a young guy with a dream who just started making t-shirts. Now we have a lot more experience, but also a lot more baggage. He's up against all the usual challenges of starting a business: can he make a product that captures people? Can he reinvent the t-shirt...again? BUT also, how much will his reputation affect whether or not people buy from him?

The customers here at MAGIC will give Doc a strong indication of how successful his new venture can be.

This time, talking to vendors, Dov doesn't have an entourage. Just a couple of podcast producers following him around.

MAN: What are you being recorded for? What's this?

DOV: Oh, it's for a podcast that they're doing on my rise. My rebirth of my bullshit.

MAN: Cool. What are you doing these days?

DOV: I'm making t-shirts, man.

LISA: Vendors have set up at booths across the show floor. There are all kinds of apparel companies. People are showing off their lines of dresses and sweatshirts and jeans. And a lot of these vendors run wholesale t-shirt businesses.

These vendors—Dov's competition—they have booths. Mannequins modeling the styles and tables neatly displaying the range of colors and sizes. Dov has his gym bag. That's about it.

But while his competitors are stuck behind their booths hoping someone will stop by, Dov is actively scoping out potential customers: people selling graphic t-shirts and custom t's.

He's looking for customers that care about having a good quality garment to print their designs on, but who don't actually want to make the t-shirts themselves.

DOV: I connect with everybody, meet them. People remember me with bags. That's what I did. I was a bag boy. I'm a schmatta schlepper.

LISA: In the past, Dov actually got kicked out a few times for not having a booth. You're not supposed to be hustling around Magic marketing your clothes out of a gym bag. But Dov has never been one to follow the rules at the Magic tradeshow. Something I learned pretty quickly when people started telling me stories about Dov's old days at Magic.

People like these two brothers—Patrick and Mike Liberty—who run a custom t-shirt business. They told me what it was like when Dov and American Apparel would roll into the show.

PATRICK: They had girls bouncing around on these balls, like, in basically underwear through the trade show. And everyone, when they would come through, would be like "Oh my God. What the fuck is going on? This is insane!"

LISA: So what... and when... and when... when, like the girls would be bouncing on the balls... um—

PATRICK: Yeah, it was, like blow up balls. Kind of like the aerobic balls, but they had a handle. And they were... so it was very sexual. They're bouncing around in American Apparel, like, underwear.

MIKE: Yeah.

PATRICK: And all the guys in the trade show, because they would go through the—

MIKE: It would just stop business. It'd be like some horror movie where everybody's frozen for a while. As soon as the girls on the balls were gone, it would get really loud again.

LISA: So, you said it was like a horror show—

PATRICK: Oh, yeah. Well I was just thinking about, uh, Village of the Damned. Where the kid, he would, like, freeze time. And when I say horror movie, it was actually really pleasant. It was more like a fantasy movie. Yeah. Smart marketing.

LISA: So, so, like... I mean, what was the general reception at the trade show? Were people like, "Wow, that's so cool!" or were people like, "That's weird?"

MIKE: "It's ridiculous" you know? And, you know, it was... it touched on everyone's sexual drive so people wouldn't, like, say they liked it for sure. It wasn't like, "Oh, that's so cool." It was more just like, "That's wild."

LISA: A few stalls down, Dov is pitching some people on his new tshirts.

WOMAN: Hi.

DOV: Hey how are you? My name is Dov.

MAN: Dov. What's up man? I recognize you.

DOV: I'm okay. So, I am making t-shirts.

MAN 2: Oh, you are the American Apparel dude.

DOV: Yeah.

LISA: Dov shows them a couple of the different colors he has in his bag. But the guy says he really likes the yellow t-shirt that *Dov's* wearing. Without hesitation, Dov takes it off.

MAN: I like that color actually.

MAN 2: Yeah, I like that too.

Dov: You want it?

MAN: Okay—

DOV: You can have it, I have another shirt on underneath. Take it.

A couple booths down, Dov meets another guy. He pulls a green shirt out of his bag.

DOV: Wanna see a T-shirt? Maybe you'll like it better than this one.

MAN: Sure, why not?

DOV: Feel this quality. Open end.

MAN: This is heavyweight.

DOV: I got that. This is the quality.

MAN: What a hustler, man. Just like the fucking boutique show days now.

DOV: Yeah, yeah, yeah. Well, what else am I going to do?

MAN: That's fantastic.

DOV: I'm garment dying in three days, any colors.

MAN: Wow.

DOV: Any color you could give me, and I'll do it. Pretty cool, right? Give it to your daughter. She'll like it.

MAN: She'll wear this one?

DOV: Yeah, an oversized shirt. That's like 90s. It's like big and bigger.

LISA: The guy takes the boxy shirt and holds it up by the sleeves, studying it. It's unlike any other t-shirt at the show. Everyone else is displaying slimmer tight-fitting t-shirts. The kind of shirts Dov was trying to sell people on when he first started coming to Magic 20 years ago.

And everywhere we went at the tradeshow, people remembered Dov. He got approached by old customers, former employees. People who know his story well -- and were happy to see him.

Some treated him like a celebrity. When we stopped for lunch, a trio of blonde women in cocktail dresses and clacking heels swarmed Dov.

WOMAN 1: Dov, can I take a picture with you?

DOV: It's so—

WOMAN 2: Can I take it for you?

DOV: You and I?

WOMAN 1: I need to take a picture with Dov. I mean, this is amazing. Do you mind?

WOMAN 2: One. Two. Three. Smile! Is this weird? You don't really know us. And I'm like: Take a picture!

DOV: It's OK. I'm fine with it. She's my friend.

WOMAN 2: We've been following your career forever.

LISA: On one day of the show, instead of following Dov, I walked around on my own. I wanted to talk to people without Dov there, to get their honest thoughts on Dov and his new company.

This is Patrick and his brother Mike, the guys who told us about Dov's crew rolling into the trade show on bouncy balls. They saw Dov create an iconic t-shirt and wonder if he'll be able to pull it off again.

LISA: What did you think of the stuff he showed you yesterday?

PATRICK: I thought it was cool. It was interesting to feel kind of the, the rough cotton, you know. American Apparel has always been combed cotton. So, so a big switch for him. I don't know. I can't see that the masses would want rough over soft just because it feels better to wear soft, so... and so I think the first time going from rough to soft was an easier transition because it was like "Oh my God. That feels great."

LISA: So, I, I guess the question is, like, whether the market will move with him. Like, whether he'll be able to kind of... because, you know, it sounded like when he came out with his t-shirt back in the day, he kind of moved the market toward a more... toward a softer feel so, the question is, like, whether he's gonna be able to move the market again to a rougher feel?

MIKE: Well, uh, marketing. There will be the marketing and the story to get them to go that way, because people like soft.

LISA: The story Dov tells through his marketing will shape the way people view his new company. But here at Magic, the story of his old company is still on people's minds.

I had a conversation with a guy named Travis Liebig. He's a vendor who sells graphic t-shirts. He remembers Dov well.

TRAVIS: When I saw his name tag I was like, "Oh, I know who you are," um, and I know everything about American Apparel, so. We've used them for a long time and... and obviously his story is, uh, pretty well known throughout our industry so. Yeah, it was kind of a cool chance meeting, I guess.

LISA: And so what did you think? Meeting him in person for the first time.

TRAVIS: I guess... it was very interesting to meet a man who built a gigantic company like that, you know? And, and to see him starting over which, I, I actually really, um, I, I really respect. Sadly I think it's just people look at... look at him as, like this womanizing sort of pervert. I mean, just to put it very bluntly, like, you hear people all the time, like "Oh, that guy. He's crazy," you know, "he lost his company." You know, you just... we hear about the sexual things that have happened or the hearsay. And those get around, and they've obviously been published, and, um, you know, and I think there's, like, this really big black cloud over him? Um, and, I know, after a while they were like, "We don't want to use him anymore. We don't want to use American Apparel. We know the stories. We've heard the stories. Let's go find something else to use."

LISA: Oh, okay. Okay, so you... so you actually heard from customers, like, "I don't know if we wanna buy American Apparel anymore."

TRAVIS: Yeah. And me, I'm like, well, you know, he's probably not a bad person. He's just done bad things. You know, I mean, if... if he was just like, "Dude, I didn't do anything wrong." Like, "I see no wrong in what I did." I'd, I think I'd be kind of like... that part would probably not sit well with me.

LISA: When I asked Travis if he thought that the allegations of sexual harassment—allegations that Dov denies—will continue to haunt Dov as he starts his new company. Here's what Travis said:

TRAVIS: Hmm. You know, I think for some people it will probably be a factor. But, I think also that we live in a world where people tend to forget things real, real quick. If his company takes off, and it's a good company, and he's producing good quality garments, and you don't hear those things about him—he kind of stays out of that light, that bad light? Um, I think people will probably give him a really good chance, and I... I just don't know that it will be a factor. I think people will just buy those t-shirts. As sad as that is. I mean, it goes to a societal thing. I think we just forget certain things that have happened, you know, and we just look... we start to look past, you know, like the sexual harassment and things like that to say "Well, okay that's gone. That's over. He's got a great t-shirt. I'm just gonna buy it."

LISA: This is the customer Dov needs. Someone who appreciates his product, doesn't care about the past, and won't ask him to change.

In the first few episodes of this season—the episodes on our company Gimlet Media—we spent some time investigating how a founder's qualities, the good and the bad, end up shaping a company. And how it's important to reflect on your shadowed qualities, recognize your flaws, so they don't become ingrained in your business.

In our many conversations with Dov, he never gave a hint of accepting that idea. He wasn't interested in talking about what he could learn from the past or taking responsibility for any of the actions that may have led to his firing.

Dov has a different philosophy. Don't toil over the past. Move ahead and don't look back.

And when we talk about the past, Dov says he didn't do anything wrong. His company was turning around.

DOV: At this point, I got to keep rolling. And that's it. And I'm very comfortable with my reputation. I like my reputation.

LISA: Dov has fought all of the allegations brought against him. It's important to him to be able to tell people: none of the claims against me have ever been proven to be true. But at the same time, he knows the questions and doubts about him are out there. He knows he's a controversial figure. And sometimes, it seems like he can see an upside to that.

DOV: I remember sitting on a park bench outside a Lower East Side store and I heard these women talking about me. They're like, "He's such bad man. Buh buh buh bah bah bah bah," walked into the store, and then they were walking out with so many bags. And I offered to help them put it in their taxi, and they didn't recognize who I was, and I shut the door and I said, "God bless America." You know. Didn't matter. It became an intrigue. They were shopping. People were shopping. It was interesting, you know it was true, was it false. Was it this, was it that, should they not shop, should they shop? Generated mystery around the brand. And in America, if you're making money everything's forgiven. Trust me.

LISA: In the new business, many people—like Keith Fink and Chad Hagan—they're with Dov. Willing to accept that the past is the past. But there are also a lot of people on the sidelines who weathered American Apparel, saw Dov at his worst, and won't be part of his new endeavor.

TACEE: It's not what was lost that is hard on me, it's what might've been. You know?

LISA: Here's Tacee Webb, who helped Dov build the retail side of American Apparel.

TACEE: American Apparel could've continued and not just created more jobs... challenged an industry in a very important way. Dov has the capacity to bring that all back and more. So. I don't wanna tarnish his reputation further by speaking out. But I guess I would like to be a voice of reason and constructive criticism. I'd love to see him rebuild. I'd love to see him come back tenfold. I just. I don't think you build your house on sand, you know?

LISA: The good and the bad are linked in all of us. The qualities that help us succeed often have a sinister side that can bring us down.

The people who are with Dov on this new venture, are lured by the dream of getting Dov at his best without having to endure Dov at his worst.

But the people watching from the sidelines, like Tacee, believe that starting over requires looking honestly at yourself... and fully reckoning with your past.

TACEE: It's my personal opinion that unless he does make those changes, that his new company will not be successful. I think it's important that he comes to terms with it as a person. That he takes some personal responsibility. Was he ousted, yes. Was it wrong, yes. Was it potentially illegal? I think so. But, it was because of some of the choices that he made. And he needs to take some personal responsibility for those

choices. As a woman that helped him build this amazing company. The choices that he made in my name were reckless for me. I think it's very, very hard for him to be the comeback kid. I think there needs to be you know. Amends made. I think there needs to be a redemption story. But it can't be a fake one that you throw out there to the media that's insincere. It's a place that I would encourage him as his friend and someone that helped him build the company. A place that I'd like for him to come to in his heart. Something that he really believes. And I don't know if that's possible. You know the only person that knows if that's possible is Dov.

LISA: I recently followed up with some people I spoke with at the Magic tradeshow. To see if they were doing business with Dov's new company. And many people are. Those two brothers said Dov helped them make a line of t-shirts. Travis -- the guy who said we live in a world where people forget -- is considering ordering some samples from Dov.

So far, business is going well. Dov is financing new machines, bringing in more people: floor managers, cutters, mechanics, quality control. He now has more than 60 employees.

I don't know what's going to happen next: If Dov will build another iconic t-shirt brand. If other patterns will repeat themselves, too.

But I do know that this company is happening. Just this month, Los Angeles Apparel made its first million dollars in sales.

StartUp is hosted by me, Lisa Chow. Our show is produced by Bruce Wallace, Luke Malone, Molly Messick, and Simone Polanen. Our senior producer is Kaitlin Roberts.

I'm in awe of this team every day. They've done unbelievable reporting for this series. Thank you.

We are edited by Alex Blumberg, Alexandra Johnes, and Caitlin Kenney. Fact checking by Michelle Harris.

A lot of journalists who've reported on Dov and American Apparel helped us out early on. Thanks to Susan Berfield, Sapna Maheshwari, Nick Casey, Matt Townsend and Jim Edwards. Thanks also to Rachel Strom, Felipe Caro, Ruxandra Guidi, Isabella Kulkarni, and Jina Moore.

Mark Phillips wrote and performed our theme song. The new version of the theme song is by the legend Bobby Lord. Build Buildings wrote and performed our special ad music.

Original music by the band, Hot Moms Dot Gov, which includes The Reverend John DeLore, Jordan Scannella, Sam Merrick, Isamu McGregor, and Curtis Brewer. Music direction by Matthew Boll.

Additional music credits on our website.

Andrew Dunn, Dara Hersch, and Martin Peralta mixed the episode. Special thanks to Andrew and to David Herman, who put in long, long hours this season, and were very patient about it.

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