



MATTEL, INC.

Bob Normile
Senior Vice President
General Counsel & Secretary

September 5, 2007

Representative Bobby L. Rush
Chairman
Subcommittee on Commerce, Trade
and Consumer Protection

and

Representative Cliff Stearns
Ranking Member
Subcommittee on Commerce, Trade,
and Consumer Protection

U.S. House of Representatives
Committee on Energy and Commerce
Washington, DC 20515-6115

Re: Response of Mattel, Inc. to the August 22, 2007 Information Request from the
Subcommittee on Commerce, Trade, and Consumer Protection

Dear Chairman Rush and Ranking Member Stearns:

Mattel, Inc. is pleased to respond to your August 22, 2007 request for information in the hope that these responses will assist your efforts and those of the Subcommittee on Commerce, Trade and Consumer Protection of the Committee on Energy and Commerce to achieve our shared objective of enhancing toy safety.

Request 1. In addition to the millions of figures and toys recalled by the CPSC in August, please provide detailed information on any toys or other products imported by your company with lead paint or lead content that exceeds lawful safety standards.

The Consumer Product Safety Commission ("CPSC") announced voluntary, fast-track recalls by Mattel, Inc. and its subsidiaries (collectively, "Mattel") of certain products on August 2, August 14, and September 4, 2007. A total of approximately 13.2 million toys shipped to retailers in the United States were recalled. The recalls included (1) toys that potentially had levels of lead on some portion of the toy in excess of the applicable safety standard due to noncompliant paint; and (2) toys with magnets that

posed a remote potential for serious injury. The lead-related recalls, which Mattel understands are the focus of your inquiry, account for about 1.5 million of the recalled toys shipped to retailers in the United States.¹

The August 2, 2007 recall had its genesis in routine preshipment tests for lead in paint of a sample of products bound for a direct importer of Mattel's toys. The scope of the initial August 2 recall was intentionally over inclusive. It included all products that Mattel believed potentially contained some paint with impermissibly high lead levels because the products had been manufactured at the same time and by the same vendor as products found to have lead in some paint in excess of the applicable safety standard. Subsequent testing of samples of some of the recalled products showed compliance with the applicable standard for lead. Nevertheless, 83 stock keeping units, or SKUs, were included in the August 2 recall for potentially noncomplying lead levels in paint.

On or about July 30, 2007, a routine annual recertification audit of directly-imported products in production for over a year showed that some of the samples of the roof of the Sarge Car product (2 SKUs) that Mattel tested had levels of lead in excess of the applicable standard. Mattel accordingly notified the CPSC and subsequently recalled the affected Sarge Cars on August 14, 2007.

Starting on August 1, 2007, Mattel detained all finished products in Asia and instituted an expanded testing program for lead in paint. Specifically, before any detained product could be delivered to Mattel's customers, it had to pass a sample test for lead in paint under the applicable standard. Mattel's expanded testing obtained isolated results showing that the lead content of paint on certain parts of some additional toys was in excess of the applicable standard.

Specifically, Mattel obtained some test results indicating that a few parts of certain Barbie accessory sets (7 SKUs), the Geo Trax vehicle (2 SKUs), and the Fisher-Price 6-in-1 Bongos (1 SKU) also had paint on some portions of the toys with lead levels in excess of the applicable standard. Mattel again notified the CPSC and recalled those toys on September 4, 2007.

Mattel's expanded testing of detained finished products has, so far, revealed no other products, beyond those subject to the September 4, 2007 recall, that should be recalled for lead in paint in excess of the applicable standard.

¹ The magnet-related recalls account for roughly 11.7 million of the recalled toys shipped to retailers in the United States. The magnet-related recalls do not involve lead paint or manufacturing failures by Mattel or its vendors, including vendors in China.

Request 2. Please provide information detailing the level of lead in the recalled toys and products, if available.

Samples of many of the tested products included in the lead-related recalls complied with the applicable standard for lead, which is 0.06 percent or 600 parts per million. The reported noncompliant lead levels found in paint on some samples of recalled toys, so far, has typically been about one (1) percent or 10,000 parts per million. The reported noncompliant lead levels in paint, so far, range from just over the applicable standard to about eleven (11) percent or 110,000 parts per million.

Request 3. Provide the name and location of the company and facility in China that manufactured the figures and toys.

Toys included in the initial August 2 recall for lead were manufactured by Lee Der Industrial Company, Ltd. ("Lee Der"), Flat A, 4/F, Hong Kong Industrial Building, 444-452 Des Voeux Road West, Hong Kong. The manufacturing plant, Foshan Lee Der Toys Company Ltd., is located on Foping Road, Nanhai District, Foshan City, Guangdong Province, China.

Toys included in the August 14 recall for lead had components that were painted by Hon Li Da Plastic Cement Products Co., Ltd. ("HLD"). HLD's manufacturing facility is located in Pinghu Village, Daxingsi Industrial Zone, Block 1, Building 3, Longgang District, Pinghu County, Shenzhen City, Guangdong Province, China. HLD was a subcontractor of Early Light Industrial Company, Ltd. ("Early Light"), Early Light International Center, No. 9, Ka Fu Close, Sheung, Shui, NT, Hong Kong. Early Light incorporated the components painted by HLD in finished products made in its manufacturing facility located in Shan Sha Village, Building B7-B8, Cham Hang Industrial District, Longgang District, Pinghu, China.

As to the September 4, 2007 recall:

Components of the Geo Trax product included in the recall were painted by Boyi Plastic Products Factory ("Boyi"). The Boyi factory is located at Nanci Fourth Industrial District, Humen County, Dongguan City, Guangdong Province, China. Those components were incorporated into finished product manufactured by Apex Manufacturing Co., Ltd. ("Apex"), a/k/a Tak Yuen Plastic Products (Dongguan) Co., Ltd., Unit B2, 25/F, Wyler Center 2, 200 Tai Lin Pai Road, Kwai Chung, N.T., Hong Kong. Apex's Yak Yuen Plastic Products (Dongguan) factory is located at Estate 5, Nanzha Industrial Estate, Humen County, Dongguan City, Guangdong Province, China.

The affected Barbie accessory products were painted by two subcontractors, Dong Lian Fa Metals Plastic Produce Factory ("Dong") and Yip Sing ("Yip Sing"). Dong's factory is located at Tangxia Kaidafang Industrial District, Xinyu County, Huaiyang

District, Huizhou City, Guangdong Province, China. Yip Sing's factory is located at 247 Silian Road, Henggaang County, Shenzhen City, China. Those components were incorporated into finished product manufactured by Holder Plastic ("Holder"), a/k/a Bao Feng Plastic Factory, 179 Wai Yip Street, 5th Floor, Kwun Tong, Kowloon, Hong Kong. Holder's factory is located at Second Industrial Area, Pingshan, Shenzhen, China.

The affected 6-in-1 Big Big World Bongo Bands were painted by Wo Fong Packaging Co., Ltd. ("Wo Fong"), Unit G2, 20/F Block 1, Goldfield Industrial Building, 144-150 Tat Lin Pai Road, Kwai Chung, Hong Kong. Wo Fong's factory is located at Liaobu Township, Quantang Management District, Dongguan City, Guangdong Province, China. Those components were incorporated into finished product manufactured by Shun On Toys Co., Ltd. ("Shun On"), 11/F, Unit B3, Yip Fung Industrial Building, 28-36 Kwai Fung Crescent, N.T., Hong Kong. Shun On's factory is located in the Tong Lou Wei Industrial District, Jinxea Village, Changan town, Dongguan City, Guangdong Province, China.

Request 4. Are there provisions in your agreements with the Chinese and other manufacturers banning the use of lead and lead paint or limiting its use to lawful safety standards in the manufacture of the products your company imports?

Yes.

Mattel manufactures about fifty (50) percent of all the toys it sells at its own plants, a higher proportion than other large toy makers.

When it does contract with vendors to manufacture toys, its contracts require that the manufacturers comply with applicable safety standards. The contracts and accompanying documents specify, for each toy, the standard that applies. As to each standard, Mattel generally incorporates in those contracts the most stringent requirement that applies anywhere in the world. The contracts and accompanying documents also specify the tests that must be performed to ensure compliance.

Request 5. What steps does your company take to test and inspect imported toys or other children's products before they are sent to retail outlets in the United States to ensure compliance with lead level safety standards?

Mattel believes that, prior to August 2007, it had some of the most rigorous lead safety standards and procedures in the toy industry. Because some vendors and subcontractors violated those standards and procedures, portions of some toys containing nonconforming levels of lead reached consumers. Mattel consequently revised its procedures in August 2007 to include additional protections against violations of its manufacturing standards and procedures. Mattel is committed to a continuing review and refinement of its new safety procedures and policies.

Prior to August 2007. In addition to the contractual obligations discussed above, Mattel, prior to August 2007:

- Required that its vendors either (1) only purchase paint from a list of certified vendors, of which there are eight in China, or, (2) if they used a noncertified paint supplier, to test each batch of the paint to ensure compliance.
- Audited the certified paint suppliers to ensure their compliance; the frequency of audits depended upon Mattel's historical experience with each paint supplier.
- Conducted periodic audits of its vendors to ensure that they were testing paint the vendors had purchased from noncertified paint suppliers.
- Performed lead level safety tests on samples of finished product from the initial production run of every product.
- Recertified products for direct import that had been in production for over one year. The recertification testing included lead tests. Mattel conducted recertification tests, including lead tests, on about 4,000 products each year.

The lead test results that culminated in the August 2, August 14, and September 4 recalls, as detailed below, were all performed either pursuant to routine procedures or as a result of the expanded testing that Mattel initiated after senior management learned of the nonconforming paint that prompted the August 2 recall.

August 2007 Forward. In addition to the contractual requirements noted earlier, Mattel, after the August 2 recall, implemented a three-stage safety check of paint used on its toys. The three-stage safety check applies to all plants that manufacture toys for Mattel, not just those located in Asia.

- Every batch of paint:
 - Must be purchased only from a certified paint supplier.
 - Must be sample tested to ensure compliance with lead standards. The sample tests are performed either by Mattel's own laboratories or, for certain vendors, by the vendors themselves. Where the tests are performed by such vendors, copies of the test results must be provided to Mattel.
- Paint on samples of finished product from every production run (or if a production run continues for more than two weeks, every two week portion of the production run) must be tested for lead by either Mattel's own laboratories or by a third-party, independent laboratory.

- Mattel has increased the frequency of unannounced inspections of vendors and subcontractors for compliance with these new procedures. For instance, Mattel has commenced and currently plans to complete by October 1, 2007 an unannounced inspection of every one of its vendors and subcontractors in China.

In addition to this three-stage safety check, Mattel's vendors must disclose to Mattel the identity of any subcontractor that a vendor proposes to use before that subcontractor is allowed to work on Mattel products. Vendors and subcontractors must segregate all production for Mattel, including having dedicated storage for paint used on Mattel products. Mattel's vendors also must test the paints on a sample of all components produced by any subcontractor for lead before using the subcontractor's components in a Mattel product. Compliance with these additional requirements will also be part of the unannounced inspections of vendors and subcontractors.

Request 6. How and when did your company discover the lead paint on the imported items that led to the recall announcement by the CPSC first on August 2, 2007, and then on August 14, 2007? For each recall incident when did you first contact the CPSC about the figures and toys?

Mattel continues to investigate the events surrounding the lead-related recalls. Mattel's current understanding of those events, as to each lead-related call, is:

The August 2, 2007 Recall. The August 2 recall arose because of tests for a direct importer performed as part of the safety procedures in place prior to August 2007.

On June 8, 2007, Intertek, a laboratory that performed preshipment lead tests on a finished Fisher-Price toy for Auchan, a French direct importer, reported noncompliant paint on a sample of toys manufactured for Mattel by Lee Der. Based on Mattel's continuing investigation, it appears that some Mattel employees in China were notified of Auchan's lead test result on or about June 8, 2007. They investigated, contacted Lee Der, and attempted to address the problem, but they did not notify senior management in the U.S. or China of the report. On June 28, 2007, Mattel Product Integrity employees in China took additional samples of Lee Der's products and sent them to Mattel's laboratory in China for further testing.

On or about June 29, 2007, some of Mattel's employees in China were notified of an Intertek lead test on another sample of Lee Der's production of the same Fisher-Price toy. The results of that test complied with the applicable lead standard.

On July 3, 2007, a third Intertek lead test report indicated that there were noncomplying lead levels in paint on the same Fisher-Price toy in another sample of Lee Der's production. The July 3 report was received by a Mattel employee in China. On July 6, 2007, Mattel's laboratory in China reported results of its testing of the June 28, 2007 samples of Lee Der's production. Mattel's laboratory confirmed nonconforming

levels of lead in the paint on portions of three of five samples of the Fisher-Price toy made by Lee Der. That same day, Mattel notified Lee Der that Mattel would accept no more production from Lee Der. On July 9, Mattel's laboratories found that 10 of 23 samples from Lee Der's production contained some paint with nonconforming lead levels.

On July 12, senior management at Mattel's Fisher-Price Division and Mattel were first told about the failed lead tests on Lee Der products. Mattel immediately stopped shipments of all Lee Der products. Mattel also launched its own investigation by Mattel personnel to verify the result and to identify both the root cause and potential scope of the problem.

After tracing the nonconforming lead levels to paint used on portions of certain toys manufactured by Lee Der between April 19 and July 6, 2007, Mattel filed an Initial Report with the CPSC on July 20, 2007 and a Full Report on July 26, 2007, indicating Mattel's desire to institute a fast track recall, not just of the toy that had been found to contain nonconforming paint, but of all toys that Lee Der manufactured for Mattel during the relevant time period.

Mattel also began expanded testing for lead in paint on samples of all finished, detained toys in Asia on August 1, 2007, a formidable and time-consuming task.

The August 14, 2007 Recall. As part of Mattel's historical safety procedures in place prior to August 2007, it conducted recertification tests of directly-imported products that had been in production for over one year. Through that recertification process, Mattel discovered levels of lead in excess of the applicable standard in paint on a portion of the Sarge Car toy, which subsequently became the subject of the CPSC's recall announcement of August 14, 2007.

The first test showing excess lead levels in paint for the Sarge Car was obtained on or about July 30, 2007. Mattel immediately began investigating to determine the cause and scope of the problem. On August 1, 2007, Mattel also detained *all* finished products in Asia until samples passed a test for lead in paint. On August 6, 2007, Mattel concluded that the excess lead was due to yellow pigment used by HLD on the olive-green top of the Sarge Car. That same day, Mattel filed an Initial Report with the CPSC. The next day, August 7, Mattel filed a Full Report with the CPSC that resulted in the August 14, 2007 Sarge Car recall.

The September 4, 2007 Recall. As the expanded testing of paint samples from all finished products in Asia on August 1, 2007 continued, results showing paint lead levels in excess of the applicable safety standard were received for paint used on portions of three categories of products.

The nonconforming paint lead levels on portions of certain plastic Barbie accessories were first found on or about August 9 and 11, 2007. The CPSC was notified

of the these respective results by letters delivered on August 10 and 17, 2007. A Full Report was filed with the CPSC on August 27, 2007. The recall was intentionally over-inclusive. It included some Barbie accessories that, when sample tested, complied with the applicable lead standard. They nonetheless were included in the recall because other accessories made in the same date range and using some of the same paint colors had noncompliant lead levels.

The nonconforming paint lead levels on the Geo Trax toy's yellow ladder and headlights were discovered on or about August 16, 2007. The CPSC was notified on August 20, 2007, and a Full Report was filed on August 27, 2007. Mattel's recall of approximately 89,000 Geo Trax included a significant number of compliant toys because the noncompliant production of ladders and head lights painted by Apex's subcontractor, Boyi, between July 31, 2006 and September 4, 2006 had been mixed with pieces of compliant production in Apex's inventory. Mattel has recalled all 89,000 finished products that were made from the mixed inventory.

The nonconforming paint lead levels on portions of the 6-in-1 Bongos initially were received on or about August 20 and confirmed on August 27, 2007. The CPSC was notified verbally on August 27, 2007, and a Full Report was filed the next day, August 28, 2007.

Request 7. Please provide details of the recall action undertaken by your company, including steps to inform retailers and consumers of the recall because of the lead hazard posed by the figures and toys. Did you provide information in a language other than English? Did you take any specific steps to provide information to your retail partners located in underserved communities?

After reporting to the CPSC, Mattel worked closely and cooperatively with the CPSC, pursuant to its "fast track" program, to plan the implementation of the recall. The CPSC discourages a premature public announcement before mechanisms necessary to accomplish an effective recall are in place. For instance, before the public announcements of the recalls were made, the CPSC required Mattel to, among other things, set up a toll free recall telephone number; develop a CPSC-approved script; staff the call center with adequate numbers of properly trained operators; prepare a CPSC-approved portion of the company's web site addressing and implementing the recall; explore means by which consumers could be contacted directly by mail using Mattel's consumer data base; prepare and send to retailers a CPSC-approved notice for retail stores; prepare CPSC-approved posters to be displayed in retail stores; and finalize the terms of the recall. Mattel also gave retailers advance notice of the recall – seven days in the case of the August 2 recall – so that they could remove recalled products from their stores even as preparations for the implementation of the recall were being finalized.

With the CPSC's permission and approval, Mattel:

- Issued a joint press release with the CPSC.
- Set up a toll free interactive voice response phone line for English, Spanish, and French speakers that assists consumers in determining whether their product is subject to the recall and that allows registration for the recall.
- Placed a notice on the Mattel web site that includes a web tool, in over a dozen different languages, that aids consumers in determining whether their product is subject to the recall and that allows for on-line registration for participation in the recall.
- Mailed letters to individual consumers whose contact information was in the Mattel consumer relations database by virtue of their having called Mattel previously about any toy that is subject to the current recalls.
- Notified retailers of the recalls by letter.
- Provided retailers with posters informing consumers of the recall that retailers must post in a prominent location in each of their stores.

Mattel, on its own initiative, took out full page newspaper ads in major newspapers on August 14 and September 5, 2007. Among the newspapers that carried the ads on one or both of those dates were *USA Today*, *The New York Times*, *The Los Angeles Times*, *The Chicago Tribune*, and *The Washington Post*. Mattel's Chief Executive Officer gave satellite interviews to fourteen (14) different television programs. Mattel further placed ads on various web sites, including Yahoo, and web sites that it believed were likely to be visited by parents, such as Disney, Nickelodeon, and the Cartoon Network.

The CPSC's prescribed measures, as well as Mattel's further independent efforts, resulted in intense media coverage of the recalls. The recalls likely have been among the most highly publicized recalls of products under the auspices of the CPSC.

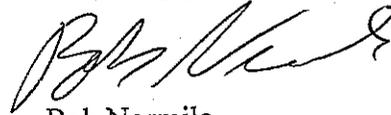
With respect to the procedures for returns of recalled products, retailers may return all recalled products in their inventory to Mattel for full credit. Consumers are provided a postage prepaid "mailing label" to use to send recalled product to Mattel. When Mattel receives product from consumers subject to the recall, it issues vouchers redeemable for Mattel products in an amount that is intended to be equal to or greater than the retail price actually paid plus tax. If any consumer has a proof of purchase at a higher price than the voucher amount, Mattel will issue a voucher for the higher price.

Request 8. Please provide details on the consumer response to the recall since the recall announcement, including how many toys have been returned for replacement vouchers?

Mattel does not, at present, have counts of all of the returned toys from consumers.

As of September 2, 2007, Mattel had sent out about 383,847 postage prepaid mailing labels to U.S. consumers for all recalled products. Of these mailing labels, 246,977 were for the lead-related August 2 recall of the Fisher-Price toys and the August 14 recall of the Sarge car.

Very truly yours,

A handwritten signature in black ink, appearing to read "Bob Normile", written in a cursive style.

Bob Normile