Emerging Issue Detection: Lead Paint in Toys

Chinese-made Thomas the Tank covered in lead paint

- On June 14, 2007, RC2 announces a recall
- Within 48 hours RC2's stock price dropped from \$43.28 to \$42.47
- RC2's stock price drops to around \$30 per share in early August 2007 after news of a similar recall by Mattel
 - A 33% drop
 - The drop was sustained recent stock price is \$29.58 (11/16/07)
- Were there any warning signs?

| The New York Times | | | | | Business | | | | |
|--------------------|--------|---------|--------|----------|----------------|------------|----------|---------|------------|
| WORLD | U.S. | N.Y. / | REGION | BUSINESS | TECHNOLOGY | SCIENCE | HEALTH | SPORTS | OPINION |
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RC2's Train Wreck





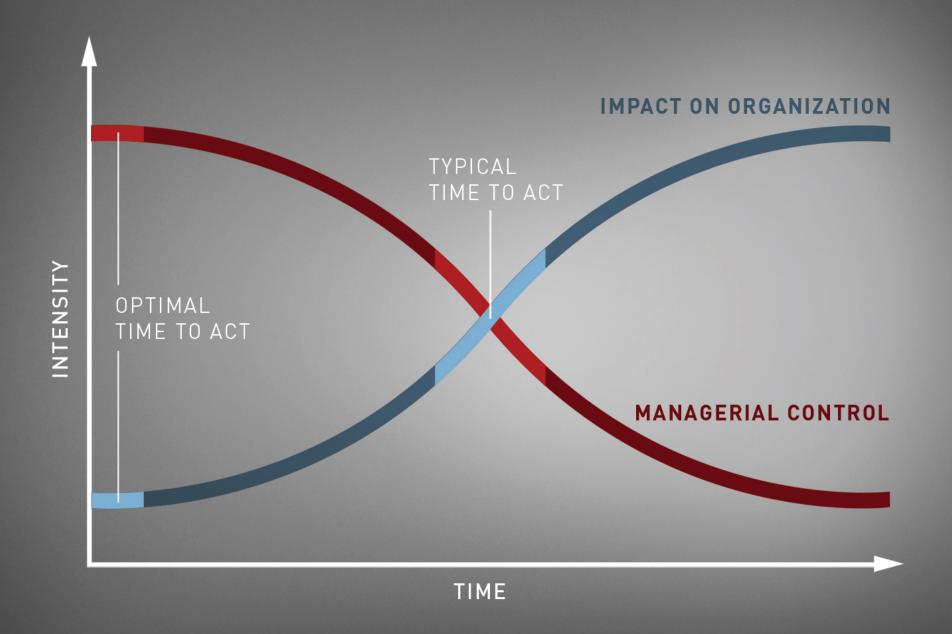
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- FirstSight's proprietary system identified the issue in early March
 - Early warning signs lead included tainted Dollar Store bracelets and Wal-Mart bibs, and other defective goods made in China
- Issue tracking flagged an increased risk as news events aggregated
- Made in China quality concerns caused 44% drop in stock price



FirstSight Group: Providing Strategic Control





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