

Emerging Issue Detection: Lead Paint in Toys

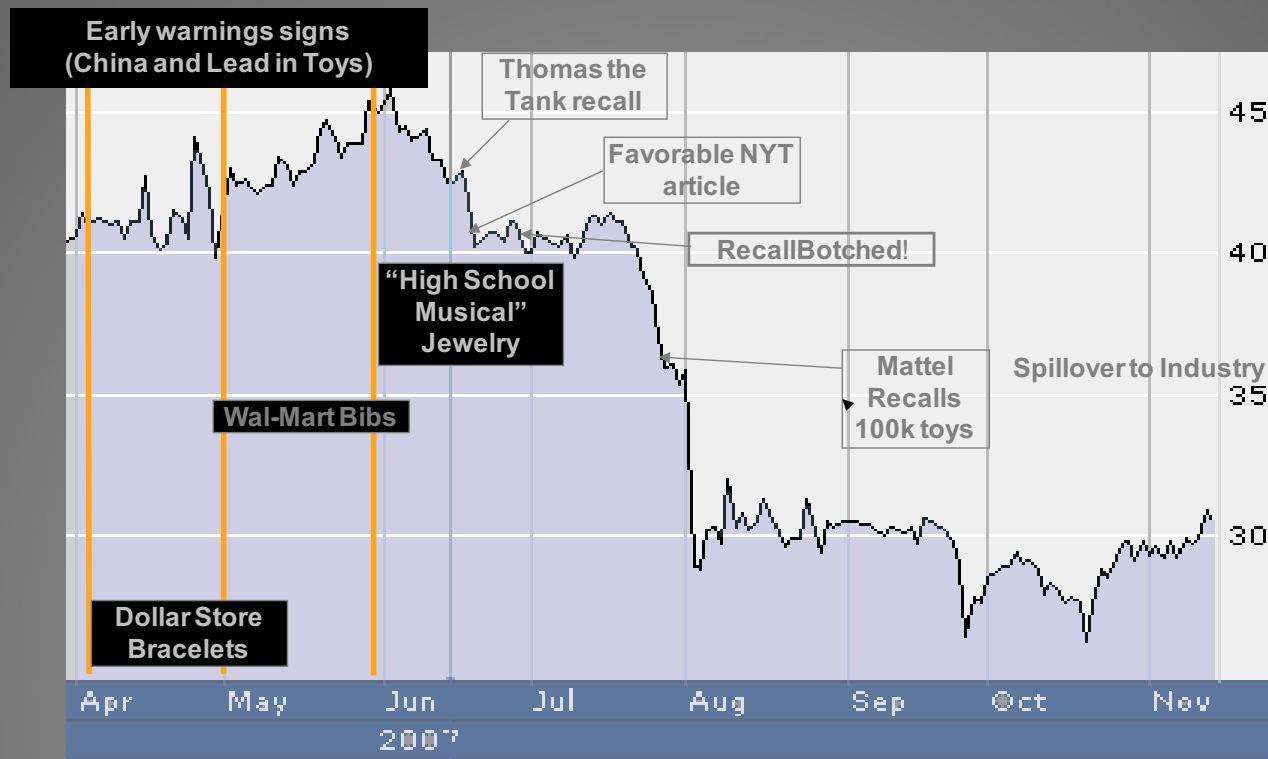
▶ Chinese-made Thomas the Tank covered in lead paint

- 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?



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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

