

UNITED STATES OF AMERICA
CONSUMER PRODUCT SAFETY COMMISSION

In the Matter of Reebok International Ltd., a corporation.)))))))))	CPSC DOCKET NO.
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Settlement Agreement

1. This Settlement Agreement ("Agreement") is made by and between the staff ("the staff") of the United States Consumer Product Safety Commission ("the Commission") and Reebok International Ltd. ("Reebok"), a corporation. This Agreement and the incorporated attached Order ("Order") settle the staff's allegations set forth below.

The Parties

- 2. The Commission is an independent federal regulatory agency responsible for the enforcement of the Federal Hazardous Substances Act, 15 U.S.C. §§ 1261-1278, ("FHSA").
- 3. Reebok is a corporation organized and existing under the laws of the Commonwealth of Massachusetts, with its principal corporate office located at 1895 J. W. Foster Boulevard, Canton, MA 02021. Reebok is a manufacturer of athletic footwear and apparel.

Staff Allegations

4. Between May 2004 and March 2006, Reebok introduced or caused the introduction into interstate commerce, or received in interstate commerce and delivered or proffered delivery thereof for pay or otherwise approximately 300,000 Heart-Shaped Charm Bracelets ("charm bracelets"). The charm bracelets were provided as free gifts with the purchase of various styles of children's footwear.
5. Reebok failed to take action to ensure that the charm bracelets did not contain toxic levels of lead, thereby creating a risk of lead poisoning and adverse health effects to children.
6. In March 2006, Reebok received a report of the death of a four year old child allegedly caused by lead poisoning. The child reportedly swallowed the charm bracelet's heart-shaped pendant. Reebok immediately reported to the Commission.
7. In March 2006, the Commission staff obtained samples of the charm bracelets, which were tested at the CPSC Laboratory. The test results demonstrated that certain components of the charm bracelets contained a total lead content from 78 to 93 percent and accessible lead from 3,441 to 9,856 micrograms of lead. These levels of lead are "toxic" within the meaning of the FHSA.
8. The charm bracelets are a hazardous substance because they are toxic and may cause substantial personal injury or substantial illness during or as a proximate result of any customary foreseeable handling or use, including reasonably foreseeable ingestion by children. Accordingly, the charm bracelets are hazardous substances under section 2(f)(1)(A) of the FHSA, 15 U.S.C. § 1261(f)(1)(A).

9. The charm bracelets were marketed with children's footwear and were intended for use by children. Therefore, the charm bracelets constitute banned hazardous substances under section 2(q)(1)(A) of the FHSA, 15 U.S.C. § 1261(q)(1)(A).

10. Reebok knowingly introduced or delivered for introduction into interstate commerce, or caused such acts, or received in interstate commerce and delivered or proffered delivery thereof for pay or otherwise or caused such acts, with respect to the aforesaid banned hazardous charm bracelets, as the term "knowingly" is defined in section 5(c)(5) of the FHSA, 15 U.S.C. § 1264(c)(5), in violation of section 4(a) and (c) of the FHSA, 15 U.S.C. § 1263(a) and (c).

11. Pursuant to section 5(c)(1) of the FHSA, 15 U.S.C. § 1264(c)(1), Reebok is subject to civil penalties for the aforementioned violation.

Reebok's Response

12. Reebok denies the staff's allegations that it violated the FHSA as set forth in paragraphs 4 through 11 above.

Agreement of the Parties

13. Under the FHSA, the Commission has jurisdiction over this matter and over Reebok.

14. In settlement of the staff's allegations, Reebok shall pay a civil penalty in the amount of one million dollars (\$1,000,000.00) within twenty (20) calendar days of service of the final Order of the Commission. This payment shall be made by check payable to the order of the United States Treasury.

15. The parties enter into this Agreement for settlement purposes only. The Agreement does not constitute an admission by Reebok or a determination by the Commission that Reebok knowingly violated the FHSA.

16. Upon provisional acceptance of this Agreement, the Agreement shall be placed on the public record and be published in the Federal Register in accordance with the procedures set forth in 16 C.F.R. § 1118.20(e). If the Commission does not receive any written request not to accept the Agreement within 15 days, the Agreement shall be deemed finally accepted on the 16th calendar day after the date it is published in the Federal Register in accordance with 16 C.F.R. § 1118.20(f).
17. Upon the Commission's final acceptance of the Agreement and issuance of the final Order, Reebok knowingly, voluntarily, and completely waives any rights it may have in this matter to the following: (i) an administrative or judicial hearing, (ii) judicial review or other challenge or contest of the validity of the Commission's actions, (iii) a determination by the Commission as to whether Reebok failed to comply with the FHSA, (iv) a statement of findings of fact or conclusions of law, and (v) any claims under the Equal Access to Justice Act.
18. This Agreement and Order resolves the staff's allegations contained in paragraphs 4 through 11 herein. Upon final acceptance of this Agreement by the Commission and issuance of the final Order, the Commission and those acting on its behalf agree not to initiate any civil penalty action against Reebok based on the aforementioned allegations under the FHSA, 15 U.S.C. §§ 1261-1278 or the Consumer Product Safety Act, 15 U.S.C. §§ 2051-2084.
19. The Commission may publicize the terms of the Agreement and Order.
20. The Agreement and Order shall apply to, and be binding upon Reebok and each of its successors and assigns.

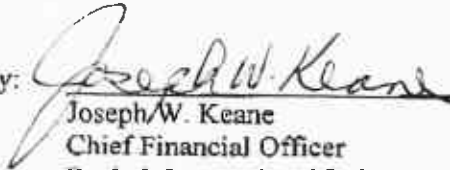
21. The Commission issues the Order under the provisions of the FHSA, 15 U.S.C. § 1264(c)(4), and a violation of this Order may subject Reebok to appropriate legal action.
22. This Agreement may be used in interpreting the Order. Agreements, understandings, representations, or interpretations made outside of this Agreement and Order may not be used to vary or contradict its terms.
23. This Agreement shall not be waived, changed, amended, modified, or otherwise altered without written agreement thereto executed by the party against whom such amendment, modification, alteration, or waiver is sought to be enforced.
24. If after the effective date hereof, any provision of this Settlement Agreement and Order is held to be illegal, invalid, or unenforceable under present or future laws effective during the terms of the Agreement and Order, such provision shall be fully severable. The balance of the Agreement and Order shall remain in full effect, unless the Commission and Reebok agree that severing the provision materially changes the purpose of the Settlement Agreement and Order.
25. Pursuant to section 5(b) of the Interim Delegation of Authority ordered by the Commission on February 1, 2008, the Commission delegated to the Assistant Executive Director for Compliance and Field Operations the authority to act, with the concurrence of the General Counsel, for the Commission under 16 C.F.R. § 1118.20 with respect to

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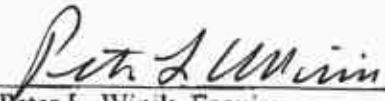
Staff allegations that Reebok and affiliated entities violated 15 U.S.C. § 1263 and are therefore subject to civil penalties under 15 U.S.C. § 1264.

REEBOK INTERNATIONAL LTD.

Dated: 03/12/08

By: 
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Dated: 03/12/08


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