

From: Rick Woldenberg
Sent: Wed 1/7/2009 8:15 PM
To: Michelle Bougie
Subject: FW: JP Morgan

Please post.

From: Rick Woldenberg
Sent: Mon 12/8/2008 12:54 PM
To: 'Fjeld, Christian'
Cc: Bailey, Judith
Subject: RE: JP Morgan

You bet. I sent my comment letter dated November 7 to the President of the division of our bank (JPMorgan Chase) and asked that it be forwarded up the chain to Bill Daley, who is not only responsible for all divisions of the bank in the Midwest but is also on the Obama Economic Advisory Board. I have attached my email for your information. Can I help in some other way? This remains a huge issue for the business community.

I would like to explain the logic of my opposition to the retroactive application of the new standards. For companies like ours, safety is central to our mission. I certainly don't want to jinx myself, but we have put a lot of money and energy into this commitment for many years. We also believe our approach is typical of most children's products companies. So, in evaluating the impact of the standards, whether applied prospectively and retroactively, we believe the impact from a safety standpoint is the SAME. Why? As to lead, it is our experience that existing lead levels already meet the new standards with the exception of any ongoing lead-in-paint violations (already illegal, so the change in standards has no effect from a safety standpoint). The presence of trace levels of lead in vinyl toys, while regrettable, is not likely to create safety issues unless dust from the vinyl would be created (see http://www.leadsafe.org/content/kids_and_lead/index.cfm?pagelD=57). [Children's jewelry might be the only exception.] Thus, we believe safety is not affected by the new lead standards. As to phthalates, again, we believe that the phthalates are largely gone from the market because of the previous European ban. The crucial issue for phthalates, from a practical safety standpoint, is whether it is in use in child care items, not in other items not likely to be mouthed. From a practical standpoint (which is what needs to be considered for existing inventory), the safety issue relates to child care items and items for kids under three. It is widely accepted that only children three and under are at risk to mouth toys and other objects. Phthalates are largely absent in these products already. Thus, we believe there is NO safety incentive to prefer retroactive or prospective application of the new safety standards.

It is nevertheless true that the forward or backward application of the new standards is quite different from a financial standpoint. If the new standards are applied retroactively, financial Armageddon may follow. A prospective application of these rules will allow for a reasonable transition and much, much lower losses. This financial impact cannot and should not be seen as a trade-off with safety, as I have noted that safety is not affected by this choice. The financial impact of the retroactive application of standards will derive from (a) a broad-scale tussle over who owns inventory that becomes contraband, (b) a broad-scale tussle over who owns inventory that MIGHT BE contraband, (c) reduced or impaired ability to finance existing children's products inventory over doubts about saleability and value, (d) Sarbanes-Oxley problems for public companies derived from impaired financings (going back to August 14), and (e) worst of all, widespread doubt about product and company integrity. As the business community craves certainty, the doubts created by this up-in-the-air period are creating enormous real-time frictional costs.

The problems under the CPSIA do not go away if Congress grants relief from the Falvey opinion (dated September 12), but the chaos in the marketplace may settle down a bit. The needless squandering of massive amounts of capital may also slow. At this point, with companies like Wal-Mart apparently moving toward mass returns (see attached letter), time is our enemy now.

Unless relief is granted soon, it will be impossible to "turn the battleship around". Companies like Wal-Mart don't turn on a dime. The crisis will move inexorably toward lenders like JPMC. They will have no choice but to clamp down on the innocent business victims of this bad rule.

If you need more information, please let me know. I can be reached by cell anytime, day or night (224 436 0265).

Sincerely,

Richard Woldenberg
Chairman
Learning Resources, Inc.

From: Fjeld, Christian [mailto:Christian.Fjeld@mail.house.gov]
Sent: Monday, December 08, 2008 12:02 PM
To: Rick Woldenberg
Cc: Bailey, Judith
Subject: JP Morgan

Rick – we're meeting with JP Morgan in order to discuss the credit issues you have raised. May I give them your information and fact pattern so that they can give us a specific, well-informed response? Thanks.

Christian

Christian Tamotsu Fjeld
Committee on Energy and Commerce
2125 Rayburn House Office Building
Washington, DC 20515
(p) 202/225-2927; (f) 202/225-2525