

UNITED STATES OF AMERICA
CONSUMER PRODUCT SAFETY COMMISSION

In the Matter of)
)
FAMILY DOLLAR)
STORES, INC.)

CPSC Docket No. 09-C0023

SETTLEMENT AGREEMENT

1. In accordance with 16 C.F.R. § 1118.20, Family Dollar Stores, Inc. ("Family Dollar") and the staff ("Staff") of the United States Consumer Product Safety Commission ("CPSC" or the "Commission") enter into this Settlement Agreement ("Agreement"). The Agreement and the incorporated attached Order ("Order") settle the Staff's allegations set forth below.

PARTIES

2. The Commission is an independent federal regulatory agency established pursuant to, and responsible for the enforcement of, the Consumer Product Safety Act, 15 U.S.C. §§ 2051 – 2089 ("CPSA").

3. Family Dollar is a corporation organized and existing under the laws of Delaware, with its principal offices located in Matthews, North Carolina. At all times relevant hereto, Family Dollar imported and/or sold toys and children's products, among other merchandise.

STAFF ALLEGATIONS

4. During 2006 and 2007, Family Dollar, through its subsidiary Family Dollar Services, Inc., imported into the United States a total of about 142,000 units of certain Halloween-themed plastic pails (SKU number 1033953, and UPC number 017845000591) ("Pail(s)"). Specifically, Family Dollar imported 28,725 of the Pails during 2006, and an additional 112,560 in July 2007. From August 2007

through October 2007, Family Dollar stores nationwide offered the Pails for sale or sold them to consumers.

5. The Pails are "consumer product(s)," and, at all times relevant hereto, Family Dollar was a "manufacturer" and/or a "retailer" of those consumer product(s), which were "distributed in commerce," as those terms are defined in CPSA sections 3(a)(3), (5), (8), (11), and (13), 15 U.S.C. §§ 2052(a)(3), (5), (8), (11), and (13).

6. The Pails are articles intended to be entrusted to or for use by children, and, therefore, are subject to the requirements of the Commission's Ban of Lead-Containing Paint and Certain Consumer Products Bearing Lead-Containing Paint, 16 C.F.R. Part 1303 (the "Ban"). Under the Ban, toys and other children's articles must not bear "lead-containing paint," defined as paint or other surface coating materials whose lead content is more than 0.06 percent of the weight of the total nonvolatile content of the paint or the weight of the dried paint film. 16 C.F.R. § 1303.2(b)(1)

7. On September 28, 2007, the Staff obtained third-party laboratory results relating to, in pertinent part, testing for the presence of lead in the surface coating of a sample of the Pails purchased from a Family Dollar retail store in Ashland, Ohio. The test results demonstrated that a green coating on the outside surface of the Pail contained a total lead content of 2.1% by weight. This level of lead is in excess of the permissible 0.06 percent limit set forth in the Ban.

8. In October 2007, Family Dollar reported to CPSC that it had commissioned an independent laboratory to conduct further testing for the presence of lead in surface coatings of another twelve (12) Pail samples. As expressed in a test report issued October 5, 2007, the test results demonstrated that the Pails' green surface coating contained a total lead content of 1200 mg/kg. These levels of lead are in excess of the permissible 0.06 percent limit set forth in the Ban.

9. On October 25, 2007, the Commission and Family Dollar announced a consumer-level recall of about 142,000 units of the Pails because “[t]he green paint on the pails contains excessive levels of lead, violating the federal lead paint standard.”

10. Although Family Dollar reported no incidents or injuries associated with the Pails, it failed to take adequate action to ensure that none would bear or contain lead-containing paint, thereby creating a risk of lead poisoning and adverse health effects to children.

11. The Pails constitute “banned hazardous products” under CPSA section 8 and the Ban, 15 U.S.C. § 2057 and 16 C.F.R. §§ 1303.1(a)(1), 1303.4(b), in that they bear or contain paint or other surface coating materials whose lead content exceeds the permissible limit of 0.06 percent of the weight of the total nonvolatile content of the paint or the weight of the dried paint film.

12. Beginning in 2006 and ending in October 2007, Family Dollar sold, manufactured for sale, offered for sale, distributed in commerce, or imported into the United States, or caused one or more of such acts, with respect to the Pails, in violation of section 19(a)(1) of the CPSA, 15 U.S.C. § 2068(a)(1). Family Dollar committed these prohibited acts “knowingly,” as that term is defined in section 20(d) of the CPSA, 15 U.S.C. § 2069(d).

13. Pursuant to section 20 of the CPSA, 15 U.S.C. § 2069, Family Dollar is subject to civil penalties for the aforementioned violations.

FAMILY DOLLAR RESPONSE

14. Family Dollar denies the Staff’s allegations set forth above that Family Dollar knowingly violated the CPSA.

AGREEMENT OF THE PARTIES

15. Under the CPSA, the Commission has jurisdiction over this matter and over Family Dollar.

16. The parties enter into the Agreement for settlement purposes only. The Agreement does not constitute an admission by Family Dollar, or a determination by the Commission, that Family Dollar has knowingly violated the CPSA.

17. In settlement of the Staff's allegations, Family Dollar shall pay a civil penalty in the amount of seventy five thousand dollars (\$75,000.00) within twenty (20) calendar days of service of the Commission's final Order accepting the Agreement. This payment shall be made by check payable to the order of the United States Treasury.

18. Upon the Commission's provisional acceptance of the Agreement, the Agreement shall be placed on the public record and published in the *Federal Register* in accordance with the procedures set forth in 16 C.F.R. § 1118.20(e). In accordance with 16 C.F.R. § 1118.20(f), if the Commission does not receive any written request not to accept the Agreement within fifteen (15) days, the Agreement shall be deemed finally accepted on the sixteenth (16th) day after the date it is published in the *Federal Register*.

19. Upon the Commission's final acceptance of the Agreement and issuance of the final Order, Family Dollar knowingly, voluntarily, and completely waives any rights it may have in this matter to the following: (1) an administrative or judicial hearing; (2) judicial review or other challenge or contest of the validity of the Commission's Order or actions; (3) a determination by the Commission of whether Family Dollar failed to comply with the CPSA and its underlying regulations; (4) a statement of findings of fact and conclusions of law; and (5) any claims under the Equal Access to Justice Act.

20. The Commission may publicize the terms of the Agreement and Order.

21. The Agreement and Order shall apply to, and be binding upon, Family Dollar and each of its successors and assigns.

22. The Commission issues the Order under the provisions of the CPSA, and violation of the Order may subject Family Dollar to appropriate legal action.

23. The Agreement may be used in interpreting the Order. Understandings, agreements, representations, or interpretations apart from those contained in the Agreement and Order may not be used to vary or contradict its terms. The Agreement shall not be waived, amended, modified, or otherwise altered, except in a writing that is executed by the party against whom such waiver, amendment, modification, or alteration is sought to be enforced.

24. If any provision of the 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 force and effect, unless the Commission and Family Dollar agree that severing the provision materially

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affects the purpose of the Agreement and Order.

Dated: 3/19/09

FAMILY DOLLAR STORES, INC.

By: Jacob Modla
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Family Dollar Stores, Inc.
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Dated: 3/23/09

By: Michael J. Gidding
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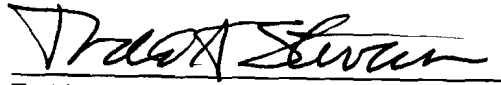
Dated: 3/31/09

By: Belinda V. Bell
Belinda V. Bell, Trial Attorney
M. Reza Malihi, Trial Attorney
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rate of interest set forth at 28 U.S.C. § 1961(a) and (b).

Provisionally accepted and provisional Order issued on the 15th day of July, 2009.

BY ORDER OF THE COMMISSION:



Todd A. Stevenson, Secretary
U.S. Consumer Product Safety Commission