

UNITED STATES OF AMERICA
CONSUMER PRODUCT SAFETY COMMISSION

_____)
In the Matter of)
_____)
Life is Good, Inc.)
_____)

CPSC Docket No. 08-20011

SETTLEMENT AGREEMENT

1. In accordance with 16 C.F.R. § 1118.20, Life is Good, Inc. (“LIG”) and the staff (“Staff”) of the United States Consumer Product Safety Commission (“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 – 2084 (“CPSA”).

3. LIG is a corporation organized and existing under the laws of Massachusetts, with its principal offices located in Boston, Massachusetts. At all times relevant hereto, LIG sold apparel and accessories.

STAFF ALLEGATIONS

4. Beginning in or about March 2006, LIG distributed 2,493 children’s hooded sweatshirts with drawstrings through the hoods, and, beginning in or about July 2007, LIG sold and/or held for sale or distribution after introduction into commerce, 7,793 Zippity Hoodie and Sherpa Full Zip children’s hooded sweatshirts with drawstrings through the hood (collectively “Drawstring Sweatshirts”).

5. Retailers sold Drawstring Sweatshirts to consumers.

6. The Drawstring Sweatshirts are “consumer product[s],” and, at all times relevant hereto, LIG was a “distributor” of those consumer products, which were “distributed in commerce,” as those terms are defined in CPSA sections 3(a)(1), (5), (11), and (12), 15 U.S.C. § 2052(a)(1), (5), (11), and (12).

7. In February 1996, the Staff issued the Guidelines for Drawstrings on Children’s Upper Outerwear (“Guidelines”) to help prevent children from strangling or entangling on neck and waist drawstrings. The Guidelines state that drawstrings can cause, and have caused, injuries and deaths when they catch on items such as playground equipment, bus doors, or cribs. In the Guidelines, the Staff recommends that there be no hood and neck drawstrings in children’s upper outerwear sized 2T to 12.

8. In June 1997, ASTM adopted a voluntary standard, ASTM F1816-97, that incorporated the Guidelines. The Guidelines state that firms should be aware of the hazards and should be sure garments they sell conform to the voluntary standard.

9. On May 19, 2006, the Commission posted on its website a letter from the Commission’s Director of the Office of Compliance to manufacturers, importers, and retailers of children’s upper outerwear. The letter urges them to make certain that all children’s upper outerwear sold in the United States complies with ASTM F1816-97. The letter states that the Staff considers children’s upper outerwear with drawstrings at the hood or neck area to be defective and to present a substantial risk of injury to young children under Federal Hazardous Substances Act (“FHSA”) section 15(c), 15 U.S.C. 1274(c). The letter also notes the CPSA’s section 15(b) reporting requirements.

10. LIG reported to the Commission that there had been no incidents or injuries from the Drawstring Sweatshirts.

11. LIG's distribution in commerce of the Drawstring Sweatshirts did not meet the Guidelines or ASTM F1816-97, failed to abide by the Staff's May 2006 defect notice, and posed a strangulation hazard to children.

12. On April 17, 2007 and August 30, 2007, recalls of the Drawstring Sweatshirts were announced, informing consumers that they should immediately remove the drawstrings to eliminate the hazard.

13. LIG had presumed and actual knowledge that the Drawstring Sweatshirts distributed in commerce posed a strangulation hazard and presented a substantial risk of injury to children under FHSA section 15(c)(1), 15 U.S.C. § 1274(c)(1). LIG had obtained information that reasonably supported the conclusion that the Drawstring Sweatshirts contained a defect that could create a substantial product hazard or that they created an unreasonable risk of serious injury or death. CPSA sections 15(b)(2) and (3), 15 U.S.C. § 2064(b)(2) and (3), required LIG to immediately inform the Commission of the defect and risk.

14. LIG knowingly failed to immediately inform the Commission about the Drawstring Sweatshirts as required by CPSA sections 15(b)(2) and (3), 15 U.S.C. § 2064(b)(2) and (3), and as the term "knowingly" is defined in CPSA section 20(d), 15 U.S.C. § 2069(d). This failure violated CPSA section 19(a)(4), 15 U.S.C. § 2068(a)(4). Pursuant to CPSA section 20, 15 U.S.C. § 2069, this failure subjected LIG to civil penalties.

LIG RESPONSE

15. LIG denies the Staff's allegations above that LIG: (i) had actual knowledge of the risk posed by Drawstring Sweatshirts and (ii) knowingly violated the CPSA. LIG states that the

Drawstring Sweatshirts sold by a retailer beginning in March 2006 were reported to the Commission by the retailer, and that the retailer, in cooperation with the Commission, voluntarily recalled them in April 2007. LIG provided information to the retailer in connection with the retailer's report to the Commission. In August 2007, LIG voluntarily reported to the Commission about the Drawstring Sweatshirts it began distributing in July 2007. In August 2007, LIG, in cooperation with the Commission, conducted a voluntary recall of the Drawstring Sweatshirts distributed in July and August 2007. That recall succeeded in recovering all but five of such Drawstring Sweatshirts.

AGREEMENT OF THE PARTIES

16. Under the CPSA, the Commission has jurisdiction over this matter and over LIG.

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

18. In settlement of the Staff's allegations, LIG shall pay a civil penalty in the amount of fifty thousand dollars (\$50,000.00). The civil penalty shall be paid in two (2) installments as follows: \$25,000.00 shall be paid within twenty (20) calendar days of service of the Commission's final Order accepting the Agreement; and \$25,000.00 shall be paid within one hundred eighty (180) calendar days of service of the Commission's final Order accepting the Agreement. Each payment shall be by check payable to the order of the United States Treasury.

19. Upon 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) calendar

days, the Agreement shall be deemed finally accepted on the sixteenth (16th) calendar day after the date it is published in the *Federal Register*.

20. Upon the Commission's final acceptance of the Agreement and issuance of the final Order, LIG 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 Order or of the Commission's actions; (3) a determination by the Commission of whether LIG 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.

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

22. The Agreement and the Order shall apply to, and be binding upon, LIG and each of its successors and assigns.

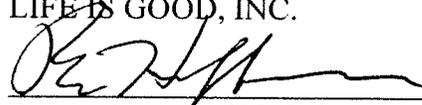
23. The Commission issues the Order under the provisions of the CPSA, and violation of the Order may subject LIG to appropriate legal action.

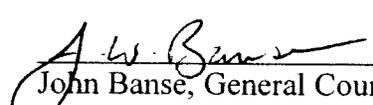
24. The Agreement may be used in interpreting the Order. Understandings, agreements, representations, or interpretations apart from those contained in the Agreement and the Order may not be used to vary or contradict their terms. The Agreement shall not be waived, amended, modified, or otherwise altered without written agreement thereto executed by the party against whom such waiver, amendment, modification, or alteration is sought to be enforced.

25. If any provision of the Agreement and the Order is held to be illegal, invalid, or unenforceable under present or future laws effective during the terms of the Agreement and the Order, such provision shall be fully severable. The balance of the Agreement and the Order shall

remain in full force and effect, unless the Commission and LIG agree that severing the provision materially affects the purpose of the Agreement and the Order.

26. Pursuant to section 6(d) 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 Staff allegations that any person or firm violated 15 U.S.C. § 2068, where the total amount of the settlement involves no more than \$100,000.

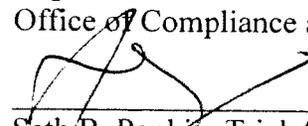
Dated: 3-17-08 By: 
LIFE IS GOOD, INC.
Roy Heffernan, Chief Financial Optimist
Life is Good, Inc.
283-285 Newbury Street
Boston, MA 02115

Dated: 3/17/08 By: 
John Banse, General Counsel
Life is Good, Inc.
283-285 Newbury Street
Boston, MA 02115

U.S. CONSUMER PRODUCT SAFETY
COMMISSION STAFF

J. Gibson Mullan
Assistant Executive Director
Office of Compliance and Field Operations

Ronald G. Yelenik, Acting Director
Legal Division
Office of Compliance and Field Operations

Dated: 4-16-08 By: 
Seth B. Popkin, Trial Attorney
Legal Division
Office of Compliance and Field Operations

UNITED STATES OF AMERICA
CONSUMER PRODUCT SAFETY COMMISSION

_____)
In the Matter of)
_____)
Life is Good, Inc.)
_____)

CPSC Docket No. 08-C0011

ORDER

Upon consideration of the Settlement Agreement entered into between Life is Good, Inc. (“LIG”) and the U.S. Consumer Product Safety Commission (“Commission”) staff, and the Commission having jurisdiction over the subject matter and over LIG, and pursuant to the authority delegated in section 6(d) of the Interim Delegation of Authority ordered by the Commission on February 1, 2008, and it appearing that the Settlement Agreement and the Order are in the public interest, it is

ORDERED, that the Settlement Agreement be, and hereby is, accepted; and it is

FURTHER ORDERED, that LIG shall pay a civil penalty in the amount of fifty thousand dollars (\$50,000.00). The civil penalty shall be paid in two (2) installments as follows: \$25,000.00 shall be paid within twenty (20) calendar days of service of the Commission’s final Order accepting the Agreement; and \$25,000.00 shall be paid within one hundred eighty (180) calendar days of service of the Commission’s final Order accepting the Agreement. The payment shall be made by check payable to the order of the United States Treasury. Upon the failure of LIG to make any of the foregoing payments when due, interest on the unpaid amount shall

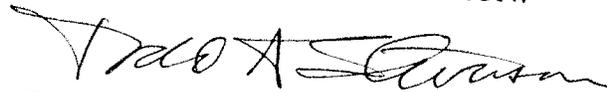
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accrue and be paid by LIG at the federal legal rate of interest set forth at 28 U.S.C. § 1961(a) and

(b).

Provisionally accepted and Provisional Order issued on the ^{22ND} day of April,
2008.

BY ORDER OF THE COMMISSION:



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