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## Toxic Toys?

Toys "R" Us is getting ready to go public, hoping to raise about \$800 million. But an investor coalition is urging people not to buy in to the IPO unless the company makes a firm commitment to stop selling toys with polyvinyl chloride (PVC) and to label toys with toxic chemicals.

The investors last week released an open letter signed by members of the Interfaith Center on Corporate Responsibility, a coalition of 275 institutional investors with more than \$100 billion in assets.

Under pressure from concerned parents and product safety advocates, in 2008 Toys "R" Us announced a new policy to reduce PVC plastic in children's and infants' toys and set a goal of offering PVC-free products. "Recent testing found the company has failed to fully implement this commitment," said Sr. Mary Ellen Gondeck of the Congregation of St. Joseph. Popular products like Barbie, Bucket O Soldiers, and Toy Story 3 Buzz and Woody figurines were found to contain PVC.

On its Web site, Toys R Us says its moving closer to its goal of offering PVC-free products, and has already begun replacing PVC in juvenile products manufactured exclusively for Toys "R" Us. No date is mentioned, however, for when it hopes to reach its goal offering PVC-free products.

Chemicals associated with PVC can cause health problems including cancer and neurological and immune system damage. "Toys "R" Us' failure to phase out PVC products and label toxic chemicals in toys could hurt them during the critical Christmas season, which accounts for roughly 40% of Toys "R" Us' annual revenues," said Susan Baker of Trillium Asset Management Corp.

According to **Michael Passoff of As You Sow**, "Phasing out PVC has significant environmental and health benefits, builds public trust and safeguards Toys "R" Us' brand reputation and market share."

Exactly when the Wayne, N.J.-based Toys "R" Us will go public has not been confirmed. Last week a source told Reuters the offering will most likely happen in 2011 rather than this year.

The struggling company was taken private in 2005 by an investment group led by Kohlberg Kravis Roberts & Co., Bain Capital Partners and Vornado Realty Trust. The group put a new management team in place led by Gerald L. Storch, who became CEO in 2006 and was formerly a vice chairman at Target Corp. and held various other positions there.

In its prospectus on the IPO, the company says it is the "leading global specialty retailer of toys and juvenile products as measured by net sales." It operates nearly 1,400 stores in 34 countries. It plans to hire 45,000 workers this holiday season and open 600 "pop-up" stores. For fiscal 2009, the company generated net sales of \$13.6 billion, net earnings of \$312 million and adjusted EBITDA of \$1,130 million.